



## ABN AMRO Bank N.V.

(incorporated in The Netherlands with its statutory seat in Amsterdam)

### US\$25,000,000,000 Program for the Issuance of Senior/Subordinated Medium Term Notes

Under this Debt Issuance Program (the “**Program**”), US Senior Medium Term Notes (the “**Senior Notes**”) and US Subordinated Medium Term Notes (the “**Subordinated Notes**”; and the Senior Notes together with the Subordinated Notes herein collectively referred to as the “**Notes**”) are being offered on a continuous basis by ABN AMRO Bank N.V. (“**ABN AMRO Bank**” or the “**Issuer**”) from time to time through one or more of the agents appointed by the Issuer from time to time (for so long as each shall so remain, an “**Agent**” and, collectively, the “**Agents**”). The aggregate principal amount of Notes outstanding at any one time may not exceed US\$25,000,000,000 (or its equivalent based upon the applicable exchange rate at the time of issuance, if any Notes are denominated in one or more non-US currencies or currency units), subject to increase as described in this base prospectus (the “**Base Prospectus**”). The Senior Notes will be unsecured and unsubordinated obligations and will rank pari passu without any preference among themselves and with all other present and future unsecured and unsubordinated obligations, save for those preferred by mandatory and/or overriding provisions of law. The Subordinated Notes will be unsecured obligations subordinated in right of payment to the claims of the Issuer’s higher ranked creditors as described in this Base Prospectus under “*Terms and Conditions of the Notes—Status and Subordination Terms relating to Subordinated Notes*”. The Agents have agreed to use reasonable best efforts to solicit purchasers of such Notes. The Issuer may sell Notes to an Agent acting as principal for its own account for resale to investors and other purchasers. The Issuer has also reserved the right to sell, and may solicit and accept offers to purchase, Notes directly on its own behalf. The terms of each particular issue of Notes will be established by the Issuer and specified in the applicable Pricing Term Sheet and/or Final Terms (each as defined in “*Important Information*”). The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or any state securities law, and are being offered and sold, (A) to “qualified institutional buyers” (“**QIBs**”) as defined in Rule 144A under the Securities Act (“**Rule 144A**”) in reliance upon the exemption provided by Section 4(2) of the Securities Act and (B) outside the United States to certain persons in reliance upon Regulation S under the Securities Act (“**Regulation S**”). Prospective purchasers are hereby notified that the seller of the Notes may be relying on an exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Issuer reserves the right to withdraw, cancel or modify the offer made hereby without notice. The Issuer or the Agents may reject any offer to purchase Notes, in whole or in part. See “*Plan of Distribution*”.

Application has been made to Euronext Amsterdam N.V. for certain Notes issued under the Program for the period of 12 months from the date of this Base Prospectus to be admitted to listing and trading on NYSE Euronext in Amsterdam, the regulated market of Euronext Amsterdam N.V. (“**Euronext in Amsterdam**”). In addition, Notes issued under the Program may be listed or admitted to trading, as the case may be, on any other stock exchange or market specified in the applicable Pricing Term Sheet and/or Final Terms. The Issuer may also issue unlisted Notes under the Program.

**Prospective investors should carefully consider the risks described under the section headed “Risk Factors” beginning on page 25 of this Base Prospectus prior to making an investment decision with respect to the Notes.**

**EACH INITIAL AND SUBSEQUENT PURCHASER OF THE NOTES OFFERED HEREBY IN MAKING ITS PURCHASE WILL BE DEEMED TO HAVE MADE CERTAIN ACKNOWLEDGMENTS, REPRESENTATIONS AND AGREEMENTS AS SET FORTH IN THIS BASE PROSPECTUS INTENDED TO RESTRICT THE RESALE OR OTHER TRANSFER OF NOTES AND MAY IN CERTAIN CIRCUMSTANCES BE REQUIRED TO PROVIDE CONFIRMATION OF COMPLIANCE WITH SUCH RESALE OR TRANSFER RESTRICTIONS DESCRIBED IN “NOTICE TO PURCHASERS” AND “PLAN OF DISTRIBUTION”.**

The Notes will be issued in registered, book-entry form only and will be eligible for clearance through the facilities of The Depository Trust Company (“**DTC**”) and its direct and indirect participants, including Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”) or directly through Euroclear and Clearstream, Luxembourg.

Notes issued under this Program may be rated or unrated. Where an issue of Senior Notes is rated, its rating will not necessarily be the same as the rating applicable to this Program. Subordinated Notes issued under the Program may be rated on a case by case basis as specified in the applicable Pricing Term Sheet and/or Final Terms, as the case may be. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Community and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the “**CRA Regulation**”) unless the rating is provided by a credit rating agency operating in the European Community before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused. Each of Moody’s Investors Service, Ltd. (“**Moody’s**”), Standard & Poor’s Credit Market Services France SAS, a division of The McGraw-Hill Companies, Inc. (“**S&P**”), Fitch France SAS (“**Fitch**”) and DBRS Rating Limited are credit rating agencies established and operating in the European Community prior to 7 June 2010 and have submitted an application for registration in accordance with the CRA Regulation and, as at the date of the Base Prospectus, such application for registration has not been refused. 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.

**ABN AMRO Bank**

Barclays Capital  
Goldman, Sachs & Co.

BofA Merrill Lynch  
J.P.Morgan

Citigroup  
RBS

**Morgan Stanley**

Deutsche Bank Securities  
UBS Investment Bank

**BASE PROSPECTUS DATED 31 OCTOBER 2011**

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## NOTICE TO PURCHASERS

THE ISSUER HAS NOT REGISTERED THE NOTES NOR DOES THE ISSUER INTEND TO, OR HAVE ANY OBLIGATION TO, REGISTER THE NOTES PURSUANT TO THE SECURITIES ACT OR UNDER THE SECURITIES LAWS OF ANY STATE AND THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE “SEC”) OR ANY STATE SECURITIES AUTHORITY. NEITHER THE COMMISSION NOR ANY STATE SECURITIES AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS BASE PROSPECTUS OR ANY SUPPLEMENT HERETO. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE NOTES ARE BEING OFFERED AND SOLD TO QIBS IN RELIANCE UPON THE EXEMPTION PROVIDED BY SECTION 4(2) OF THE SECURITIES ACT AND RULE 144A PROMULGATED THEREUNDER AND OUTSIDE THE UNITED STATES TO CERTAIN PERSONS IN RELIANCE ON REGULATION S PROMULGATED UNDER THE SECURITIES ACT.

This Base Prospectus has been prepared by ABN AMRO Bank solely for use in connection with the proposed offering of Notes described in this Base Prospectus. Each initial and subsequent purchaser of a Note or Notes offered hereby in making its purchase will be deemed to have acknowledged, represented and agreed as follows:

1. The Notes have not been and will not be registered under the Securities Act or any other applicable securities law and, accordingly, none of the Notes may be offered, sold, transferred, pledged, encumbered or otherwise disposed of unless either registered pursuant to, or in a transaction exempt from registration under, the Securities Act and any other applicable securities law.
2. **It acknowledges that this Base Prospectus has been prepared in accordance with the rules and regulations of Euronext in Amsterdam, the Dutch *Autoriteit Financiële Markten* (“AFM”), the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*) and its subordinate and implementing decrees and regulations (“Wft”) and the Prospectus Directive, as amended or supplemented from time to time, which have disclosure requirements that are different from those of the United States. In particular, this Base Prospectus does not include certain statistical disclosures in the form that would be required in offerings registered under the Securities Act.**
3. **It acknowledges that the financial information included or incorporated by reference in this Base Prospectus has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS-EU”), and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States (“US GAAP”). In particular, initial and subsequent purchasers acknowledge the disclosures related to ABN AMRO Bank set out in the sections entitled “*Risk Factors*” and “*Presentation of Financial Information*” relating to the financial information included or incorporated by reference in this Base Prospectus.**
4. Either (A) it is a QIB and is purchasing for its own account or solely for the account of one or more accounts for which it acts as a fiduciary or agent, each of which account is a QIB, and such purchaser acknowledges that it is aware that the seller may rely upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A or (B) it is a purchaser acquiring such Notes in an offshore transaction within the meaning of Regulation S and that it is not a “US Person” (as defined in Regulation S) and is not acquiring such Notes for the account or benefit of a US Person.
5. It agrees on its own behalf and on behalf of any institutional account for which it is purchasing Notes, to offer, sell or otherwise transfer such Notes (A) only in minimum principal amounts of US \$200,000 (or the equivalent thereof in another currency or composite currency or in the case of Notes not denominated in US dollars (“**Foreign Currency Notes**”), 1,000 units of such currency, if such Notes are clearing through DTC) and in integral multiples of US \$1,000 in excess thereof and (B) prior to the date

that is one year (or such shorter period of time as permitted by Rule 144(b) under the Securities Act) after the later of (i) the Original Issue Date of such Notes (or any subsequent reopening) and (ii) the last date on which the Issuer thereof or any affiliate of the Issuer was the beneficial owner of such Notes (or any predecessor of such Notes) only (a) pursuant to the exemption from the registration requirements of the Securities Act provided by either Rule 144A or Regulation S, (b) to the Issuer or any of its subsidiaries or an Agent that is a party to the Private Placement Agreement dated 9 November 2010, as amended and restated 31 October 2011, referred to in this Base Prospectus or (c) pursuant to an exemption from such registration requirements as confirmed in an opinion of counsel satisfactory to the Issuer. It acknowledges that each Note will contain a legend substantially to the effect of the foregoing paragraph 1 and this paragraph 4.

6. It acknowledges that the Registrar referred to herein will register the transfer of any Definitive Note resold or otherwise transferred by such purchaser pursuant to clauses (a) or (c) of the foregoing paragraph 5 only: (A) in the case of a sale or other transfer pursuant to such clause (a), upon receipt from the transferor of a certificate to the effect that the person making such certification is acquiring such Note (or beneficial interest) for its own account or one or more accounts with respect to which it exercises sole investment discretion and that it and each such account is a QIB; (B) in the case of a sale or other transfer pursuant to such clause (c), upon receipt of an opinion of counsel satisfactory to the Issuer.

7. Either (A) it is not an employee benefit plan subject to the US Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), or a plan subject to Section 4975 of the US Internal Revenue Code of 1986, as amended (the “**Code**”), it is not purchasing the Notes on behalf of or with “**plan assets**” of any such plan, and it is not a governmental or church or other plan (“**non-ERISA arrangement**”) subject to provisions under applicable federal, state, local or foreign law that are similar to the requirements of ERISA or Section 4975 of the Code (“**similar law**”) or (B) its purchase and holding of such Notes is eligible for exemptive relief under US Department of Labor Prohibited Transaction Class Exemption 96-23, 95-60, 91-38, 90-1, 84-14 or another applicable exemption or, in the case of a non-ERISA arrangement, its purchase and holding of such Notes will not constitute or result in a non-exempt violation of the provisions of any similar law.

8. It acknowledges that the Issuer, any Agents and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and it agrees that, if any of the acknowledgments, representations or warranties deemed to have been made by it in connection with its purchase of Notes are no longer accurate, it shall promptly notify the Issuer and, if applicable, any Agent through which it purchased any Notes. If it is acquiring any Notes as a fiduciary or agent for one or more institutional accounts, it represents that it has sole investment discretion with respect to each such institutional account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such institutional account.

Each person receiving this Base Prospectus and any supplement (including any applicable Pricing Term Sheet and/or the Final Terms, as the case may be) acknowledges that (i) such person has been afforded an opportunity to request from the Issuer and to review, and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information contained herein, (ii) it has not relied on any Agent or any person affiliated with any Agent in connection with its investigation of the accuracy and completeness of such information or its investment decision and (iii) no person has been authorized to give any information or to make any representation concerning the Issuer or the Notes offered hereby other than those contained herein or incorporated by reference and, if given or made, such other information or representation should not be relied upon as having been authorized by the Issuer or any Agent.

By accepting delivery of this Base Prospectus, each person receiving it agrees not to make any photocopies of this Base Prospectus or any documents referred to herein and not to use any information herein for any purpose other than considering an investment in the Notes.

This Base Prospectus and any Pricing Term Sheet and/or Final Terms (each as defined in “*Overview of the Program and Terms and Conditions of the Notes*”), as the case may be, do not constitute, and are not being used by the Issuer, any Agent or any affiliate and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Base Prospectus or any Pricing Term Sheet and/or Final Terms, as the case may be, in any jurisdiction where such action is required.

Notwithstanding anything to the contrary contained herein, a holder (and each employee, representative, or other agent of a Noteholder) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions described in this Base Prospectus and all materials of any kind that are provided to the holder relating to such tax treatment and tax structure (as such terms are defined in Treasury Regulation section 1.6011-4). This authorization of tax disclosure is retroactively effective to the commencement of discussions with holders regarding the transaction contemplated herein.

#### **NOTICE TO NEW HAMPSHIRE RESIDENTS**

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421 B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421 B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSONS, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

## SUMMARY

*This summary must be read as an introduction to this Base Prospectus and any decision to invest in any Notes should be based on a consideration of this Base Prospectus as a whole, including the documents incorporated by reference herein. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area (“EEA”) (a “Member State”) no civil liability will attach to the Issuer in any such Member State in respect of this Summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus. Where a claim relating to information contained in this Base Prospectus is brought before a court in an Member State, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.*

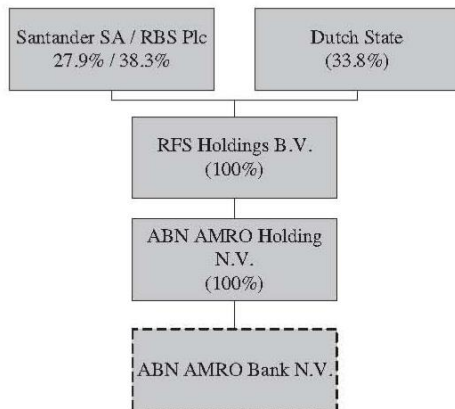
### Definitions

Due to the complex nature of ABN AMRO’s recent corporate history, selected definitions are used throughout this Summary (see “Definitions” on page 293 for a concise overview of the definitions used throughout this Base Prospectus).

### Overview of Corporate Actions

The following diagrams detail the various corporate transactions leading to the present corporate structure of ABN AMRO.

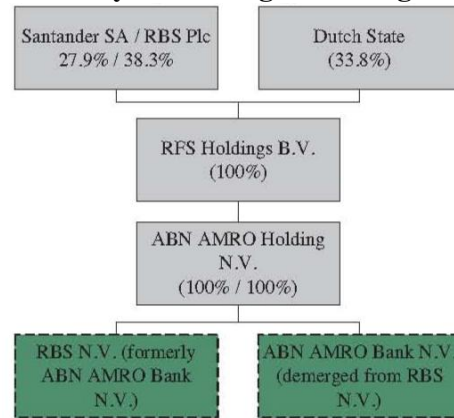
#### October 2008: ABN AMRO Bank



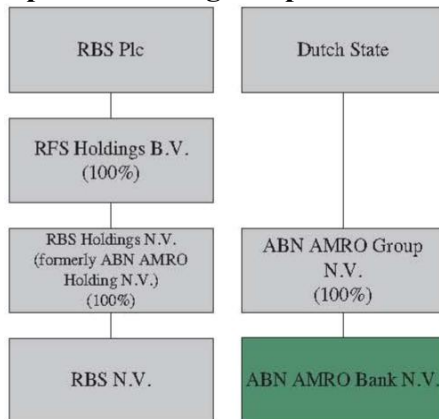
- October 17, 2007, ABN AMRO Holding N.V. (currently named RBS Holdings N.V.) acquired by the Consortium
- October 3, 2008, Dutch State acquires FBN from Fortis SA/NV, including FBN's interest in RFS Holdings (comprising Dutch commercial and consumer clients. Dutch international private clients including international diamond and jewelry group of ABN AMRO Bank) transferred to Dutch State

- February 6, 2010, Legal Demerger of Dutch State-acquired businesses from RBS N.V. (formerly ABN AMRO Bank N.V.) to a new entity, ABN AMRO II N.V.
- ABN AMRO II N.V. renamed ABN AMRO Bank N.V.

### February 2010: Legal Demerger

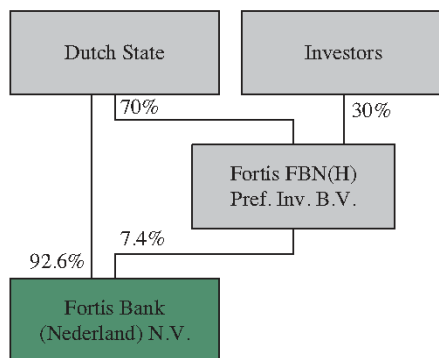


### April 2010: Legal Separation



- April 1, 2010, transfer of shares in ABN AMRO Bank N.V. from ABN AMRO Holding N.V. (renamed RBS Holdings N.V.) to new entity, ABN AMRO Group N.V.

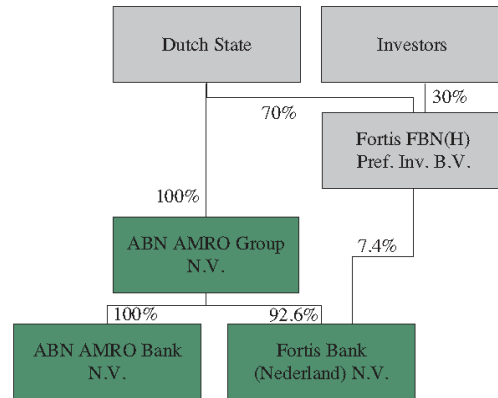
### October 2008: FBN



- October 3, 2008, Dutch State acquires FBN from Fortis SA/NV, in October 2008
- Announcement of proposed merger with ABN AMRO Bank in November 2008
- Simplification of legal structure during 2009

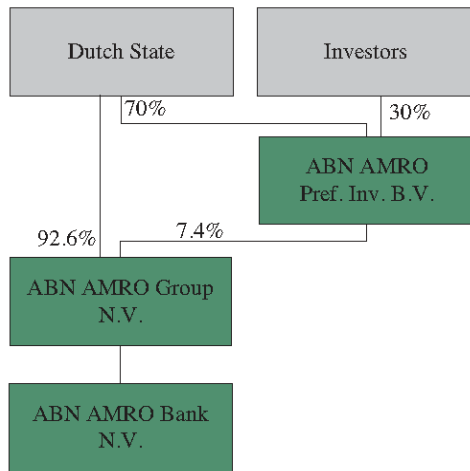
### April 2010: Transfer to ABN AMRO Group

- April 1, 2010, shares in FBN transferred to ABN AMRO Group N.V.
- Joint management with ABN AMRO Bank





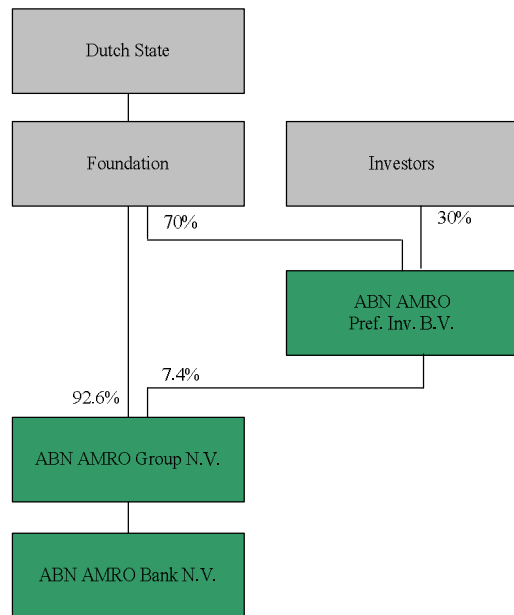
### July 2010: Legal Merger



- July 1, 2010, ABN AMRO Bank and FBN merge, with ABN AMRO Bank as the surviving entity
- Integration and rebranding begins

### September 2011: New Stichting

- September 28, 2011, Dutch State transfers its holdings in ABN AMRO Group N.V. and ABN AMRO Preferred Investments B.V. to Stichting Administratiekantoor beheer financiële instellingen (“**Foundation**”)



### Overview

ABN AMRO is an all-round bank, servicing retail, private banking and commercial banking clients in The Netherlands and selectively abroad. ABN AMRO is also internationally active in a number of specialized activities such as Energy, Commodities & Transportation and Clearing and in private banking in a select number of countries.

On 30 June 2011, ABN AMRO had 492 branches in The Netherlands and employed 25,112 full time equivalents (excluding temporary staff) ("FTEs"). On 31 December 2010, ABN AMRO operated in 28 countries or territories abroad and served 6.8 million retail clients.

In the six months ended 30 June 2011, ABN AMRO generated reported net profit of EUR 864 million (underlying net profit EUR 974 million) (2010: reported loss of EUR 968 million, underlying net profit of EUR 325 million), had a reported cost-to-income ratio of 67% (underlying cost-to-income 63%) (2010: 119% reported, 75% underlying), assets under management of EUR 162.1 billion (as at 31 December 2010: EUR 164.2 billion), total assets of EUR 396.8 billion (as at 31 December 2010: EUR 377.3 billion), risk weighted assets of EUR 109.1 billion (as at 31 December 2010: EUR 116.3 billion) and a tier 1 ratio of 13.9% (as at 31 December 2010: 12.8%).

ABN AMRO is organized into two business segments and a support center:

The two business segments are Retail & Private Banking ("**R&PB**") and Commercial & Merchant Banking ("**C&MB**");

The support center is Group Functions, consisting of Technology, Operations & Property Services ("**TOPS**"), Finance, Risk Management & Strategy ("**RM&S**") and Integration, Communication & Compliance ("**ICC**").

### Summary financial information of ABN AMRO Group N.V. for the six month period ended 30 June 2011

The following table sets forth selected financial information relating to the six month periods ended 30 June 2011 and 30 June 2010 (the latter of which is presented for comparative purposes only):

	Six months ended 30 June					
	2011			2010		
	(Reported)	(Reconciling items)	(Underlying)	(Reported)	(Reconciling items)	(Underlying)
	<i>(in millions of euros)</i>					
Net interest income .....	2,566	-	2,566	2,436	-	2,436
Non-interest income .....	1,544	-	1,544	401	(812)	1,213
Operating income .....	4,110	-	4,110	2,837	(812)	3,649
Operating expenses .....	2,744	146	2,598	3,390	646	2,744
Loan impairment .....	310	-	310	348	-	348
<i>Profit/(loss) before tax</i> .....	1,056	(146)	1,202	(901)	(1,458)	557
Income tax (expense)/credit .....	192	(36)	228	67	(165)	232
<b><i>Profit/(loss) for the period</i></b> .....	<b>864</b>	<b>(110)</b>	<b>974</b>	<b>(968)</b>	<b>(1,293)</b>	<b>325</b>
Cost/income ratio .....	67%		63%	119%		75%
	<b>As at 30 June 2011</b>			<b>As at 31 December 2010</b>		
Assets under Management (in EUR billion) .....	162.1			164.2		
Risk-weighted assets (in EUR billion) .....	109.1			116.3		
FTEs (at period-end) .....	25,112			26,161		

### Risk Factors

#### *Risks relating to ABN AMRO's Business and Industry*

- Conditions in the global financial markets and economy remain challenging and may materially adversely affect the Issuer's business and profitability.
- Securities market volatility, liquidity disruptions or market dislocations can adversely affect the Issuer's banking activities.
- Changes in interest rates and foreign exchange rates may adversely affect the Issuer's results.
- Markets may experience periods of high volatility accompanied by reduced liquidity, which may lead to market risk losses and adversely influence the Issuer's ability to hedge its risks effectively.
- Lack of liquidity is a risk to the Issuer's business and its ability to access sources of liquidity.
- Reductions in the Issuer's credit ratings could have a significant impact on the bank's funding and liquidity through reduced funding capacity and collateral triggers as well as adversely affect the Issuer's business operations.
- The financial services industry is subject to intensive regulation. Major changes in regulation and other laws and the enforcement actions could adversely affect the Issuer's business.
- 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.
- 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.
- The Issuer's businesses are primarily located in The Netherlands.
- 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.
- Increases in the Issuer's allowances for loan losses may have an adverse effect on the Issuer's results.
- The Issuer depends on the accuracy and completeness of information about customers and counterparties.
- The Issuer is subject to operational risks that could adversely affect its business.
- 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.
- The Issuer is subject to changes in financial reporting standards.

- 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 Issuer has obligations under defined benefit pension plans which may lead to additional contributions from the Issuer.
- The Issuer is subject to legal risk, which may have an adverse impact on the Issuer's results.
- The Issuer is subject to reputational risk.
- 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.
- The 403 Declaration of ABN AMRO Group N.V. may provide limited economic benefit or recourse to investors.
- The Issuer is subject to additional risk exposure as a consequence of various legal and operational separation and integration activities.
- Termination of Dutch State Ownership of the Issuer that could adversely affect the Issuer's business.
- The Issuer may fail to realize the anticipated business growth opportunities, synergies and other benefits anticipated from the Legal Merger and the subsequent integration process, which could result in a material adverse effect on its results of operations, financial position and prospects.
- The European Commission has imposed certain conditions on the Issuer that could adversely affect the Issuers' business and results of operations.

***Factors which are material for the purpose of assessing the market risks associated with the Notes issued under the Program***

- The Notes may not be a suitable investment for all investors.

***Risks related to the structure of a particular issue of Notes***

- The Notes may be subject to optional redemption by the Issuer.
- Index Linked Notes and Dual Currency Notes are subject to factors outside the control of the Issuer.
- Fixed/Floating Rate Notes may be converted at the discretion of the Issuer.
- The price of Notes issued at a substantial discount or premium may be more volatile.
- Holders of Subordinated Notes have limited rights to accelerate.
- The market value of income floating rate notes is more volatile than market values of other conventional floating note debt securities.

- Tier 2 Subordinated Notes are subject to optional redemption and deferral of payment of interest by the Issuer under certain circumstances.
- There is a redemption risk in respect of certain issues of Tier 2 Subordinated Notes.

***Risks related to Notes generally***

- Each Noteholder must act independently as Noteholders do not have the benefit of a trustee.
- The Notes are subject to modification, waivers and substitution.
- The EU Savings Directive may require the collection of withholding tax.
- Tax consequences of holding the Notes may be complex.
- Notes held in global form are reliant on the Registrar and other third parties.
- The Base Prospectus must be read together with applicable Final Terms or Pricing Term Sheet.
- Definitive Notes where denominations involve integral multiples may be subject to minimum denomination considerations.

***Risks related to the market generally***

- The secondary market may not develop.
- The Notes are subject to exchange rate risks and exchange controls.
- The price of notes are affected by changes in interest rates.
- The credit ratings of the Notes or the Issuer may not reflect all risks.
- An investor's return on an investment in Notes will be affected by charges incurred by investors.
- An investor's investment in the Notes may be subject to restrictions and qualifications.
- An investor may be unable to enforce US civil judgments against the Issuer.

## OVERVIEW OF THE PROGRAM AND TERMS AND CONDITIONS OF THE NOTES

*This overview must be read as an introduction to this Base Prospectus and any decision to invest in any Notes should be based on a consideration of this Base Prospectus as a whole, including any amendment or supplement thereto and the documents incorporated by reference herein. This overview does not purport to be complete and is qualified in its entirety by reference to the detailed information appearing elsewhere in this Base Prospectus.*

<b>Issuer:</b>	ABN AMRO Bank N.V.
<b>Risk Factors:</b>	There are certain factors that may affect the Issuer's ability to fulfill its obligations under the Notes issued pursuant to the Program. These are set out under " <i>Risk Factors</i> " below and include the fact that the Issuer's results can be adversely affected by (i) general economic conditions, (ii) competition, (iii) regulatory change, (iv) standard banking risks including changes in interest and foreign exchange rates and operational, credit, market, liquidity and legal risk and (v) the Legal Demerger, Legal Separation process and the Legal Merger and subsequent integration. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Program, see " <i>Risk Factors</i> " in this Base Prospectus.
<b>Program Description:</b>	Debt Issuance Program for the issuance of Senior Medium Term Notes and Subordinated Medium Term Notes.
<b>Arrangers:</b>	ABN AMRO Bank and Morgan Stanley & Co. LLC
<b>Agents:</b>	ABN AMRO Bank (outside US only), Morgan Stanley & Co. LLC, Barclays Capital Inc., Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Goldman, Sachs & Co., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith, Incorporated, RBS Securities Inc., UBS Securities LLC
<b>Fiscal Agent and Transfer Agent</b>	The Bank of New York Mellon, London Branch
<b>US Paying Agent and US Registrar</b>	The Bank of New York Mellon, New York
<b>European Paying Agent and European Registrar</b>	The Bank of New York Mellon (Luxembourg) S.A.
<b>Trustee:</b>	None.

<b>Size:</b>	The aggregate principal amount (or, in the case of Notes issued at a discount from the principal amount or Index Linked Notes, the aggregate initial offering price) of Notes outstanding at any time shall not exceed US\$25,000,000,000 or the approximate equivalent thereof in another currency calculated as at the issue date of the relevant Notes.
<b>Distribution:</b>	The Issuer is offering the Notes from time to time to or through the Agents. The Issuer may also sell Notes to the Agents acting as principals for resale to QIBs and to certain persons that are not US Persons (as defined in Regulation S) and may sell Notes directly on its own behalf. See “ <i>Notice to Purchasers</i> ” and “ <i>Plan of Distribution</i> ”. The method of distribution of each Tranche will be stated in the applicable Final Terms and/or Pricing Term Sheet.
<b>Currencies:</b>	Notes will be denominated in US dollars unless otherwise specified in the applicable Final Terms. Subject to any applicable legal or regulatory restrictions, the Issuer may also issue Notes denominated in such currencies as may be agreed between the Issuer and the relevant Agent (if any), including, without limitation, Australian dollars, Canadian dollars, Euro, Hong Kong dollars, New Zealand dollars, Sterling, Swiss francs and Japanese yen. See “ <i>Special Provisions Relating to Foreign Currency Notes</i> ”.
<b>Maturities:</b>	<p>Any maturity, subject to applicable laws, regulations and restrictions and subject, in the case of Senior Notes, to a minimum maturity of one month. Tier 2 Notes shall have an original minimum maturity of five years and one day.</p> <p>Any Notes (including Notes denominated in Sterling) which have a maturity date of less than one year from their date of issue and in respect of which the issue proceeds are received by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the United Kingdom’s Financial Services and Markets Act 2000 (the “<b>FSMA</b>”) by the Issuer will have a minimum denomination of at least £100,000, or its equivalent.</p>
<b>Issue Price:</b>	Notes may be issued at any issue price which is at par or at a discount to, or premium over, par.

**Use of Proceeds:**

The net proceeds from each issuance of Senior Notes will be used for the general corporate purposes of ABN AMRO. The net proceeds from each issuance of Subordinated Notes will be used to strengthen the capital base of ABN AMRO and/or to support the continuing growth of its business. If in respect of any particular issue of Notes, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Term Sheet and/or Final Terms, as the case may be, together with the expenses of the issuance (if applicable).

**Issuance in Series:**

Notes will be consecutively numbered and issued in series (each a “**Series**”). Each Series may comprise one or more tranches (“**Tranches**” and each a “**Tranche**”) issued on different dates. The Notes of each Series will all be subject to identical terms, whether as to currency, interest, maturity or otherwise, or terms which are identical except that the issue dates, the amount of the first payment of interest and/or the denomination thereof may be different. The Notes of each Tranche will all be subject to identical terms in all respects except that a Tranche may comprise Notes of different denominations.

**Form of Notes and Clearance:**

The Notes may be offered (i) within the United States to QIBs in reliance on the exemption provided by Section 4(2) of the Securities Act or Rule 144A only, (ii) outside the United States to non-US Persons in offshore transactions in reliance on Regulation S only or (iii) simultaneously within the United States to QIBs in reliance on the exemption provided by Section 4(2) of the Securities Act or Rule 144A and outside the United States to non-US Persons in offshore transactions in reliance on Regulation S as part of a global offering.

Depending on where the relevant Notes are offered, the Notes will clear through one or more of DTC, Euroclear and Clearstream, Luxembourg or any successor thereto. Notes sold pursuant to an offering under the Program will be issued in global registered form (each, a “**Global Certificate**”). Notes sold pursuant to an offering made within the United States only will be issued in global registered form and will clear through DTC. Such Notes will be represented by one or more Global Certificates deposited with the US Registrar as custodian for, and registered in the name of a nominee of, DTC (each, a “**Rule 144A Global Certificate**”). Notes represented by DTC Global Certificates will trade in DTC’s Same-Day Funds Settlement System and secondary market trading activity in such Notes will therefore settle in immediately available funds. Except as described below, Notes sold pursuant to an offering made outside the United States only will be issued in global registered form and may clear through one or more of Euroclear and Clearstream, Luxembourg. Such Notes will be represented by



one or more Global Certificates (each, a “**Euro Regulation S Global Certificate**”), (i) delivered, where such Euro Regulation S Global Certificate is held under the New Safekeeping Structure (“**NSS**”), with a Common Safekeeper for Euroclear and Clearstream, Luxembourg, and registered in the name of, or the name of a nominee of, the Common Safekeeper or (ii) deposited, where such Euro Regulation S Global Certificate is not held under the NSS, with a common depository for, and registered in the name of, or the name of a nominee of the common depository of, Euroclear or Clearstream, Luxembourg, as the case may be or such other clearing system as may be identified in the applicable Final Terms and/or Pricing Term Sheet. Notes sold pursuant to an offering made in and outside the United States simultaneously as part of a global offering will be issued in global registered form and may (i) in the case of Notes not held under the NSS, clear through one or more of DTC, Euroclear and Clearstream, Luxembourg, or (ii) in the case of Notes held under the NSS, clear through either Euroclear or Clearstream, Luxembourg, as specified in the applicable Pricing Term Sheet and/or Final Terms. Such Notes may be represented either (i) solely by one or more Rule 144A Global Certificates registered in respect of Notes sold in the United States and one or more Global Certificates deposited with the US Registrar as custodian for, and registered in the name of a nominee of, DTC, registered in respect of Notes sold outside the United States (each, a “**DTC Regulation S Global Certificate**”, and, together with any Rule 144A Global Certificate, each a “**DTC Global Certificate**”, such arrangement referred to herein as a “**Single Global Note Issue**”) or (ii) alternatively, by one or more Rule 144A Global Certificates so deposited and registered in respect of Notes sold in the United States, and a separate Euro Regulation S Global Certificate (a) delivered, where such Euro Regulation S Global Certificate is held under the NSS, with a Common Safekeeper for Euroclear and Clearstream, Luxembourg, and registered in the name of, or the name of a nominee of, the Common Safekeeper or (b) deposited, where such Euro Regulation S Global Certificate is not held under the NSS, with a common depository for, and registered in the name of, or the name of a nominee of, Euroclear or Clearstream, Luxembourg, as the case may be, in respect of Notes sold outside the United States. Such arrangement is referred to herein as a “**Dual Global Note Issue**”.

Ownership of beneficial interests in Global Certificates will be evidenced only by, and transfers thereof will be effected only through, records maintained by the relevant clearing system through which such interests are held and its direct and indirect participants. Owners of beneficial interests in Global

Certificates will not be entitled to receive physical delivery of Notes in individual definitive certificated registered form except in certain limited circumstances, including closure of the relevant clearing system(s). Any interests in a Global Certificate will be transferable only in accordance with the rules and procedures for the time being as in effect from time to time of DTC, Euroclear and/or Clearstream, Luxembourg or such other applicable clearing system as the case may be.

**Fixed Rate Notes:**

Fixed interest will be payable in arrears on the date or dates specified in the applicable Final Terms and/or Pricing Term Sheet and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and any relevant Agent (as indicated in the applicable Final Terms and/or Pricing Term Sheet).

**Floating Rate Notes:**

Floating Rate Notes will bear interest either (a) at a rate determined on the same basis as the floating rate under a notional interest-rate swap transaction in US dollars or, if in any currency other than US dollars (the “**Specified Currency**”) the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series) or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service or on such other basis as may be agreed between the Issuer and the relevant Agent (as indicated in the applicable Final Terms and/or Pricing Term Sheet).

The Margin (if any) relating to such floating rate will be specified in the applicable Final Terms and/or Pricing Term Sheet.

**Index Linked Interest Notes:**

Payments in respect of interest on Index Linked Interest Notes or in respect of principal on Index Linked Redemption Notes will be calculated by reference to such index and/or formula as may be specified in the applicable Final Terms and/or Pricing Term Sheet.

**Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:**

Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and any relevant Agent (if any), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Agent (if any) (as indicated in the applicable Final Terms and/or Pricing Term Sheet).

**Dual Currency Notes:**

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as may be specified in the applicable Final Terms and/or Pricing Term Sheet.

**Zero Coupon Notes:**

Zero Coupon Notes will be offered and sold at a discount to their nominal amount or at par and will not bear interest other than in the case of late payment as may be specified in the applicable Final Terms and/or Pricing Term Sheet.

**Structured Notes:**

Structured Notes may include Notes whose returns are linked to interest rates, inflation rates, foreign exchange rates or other matters.

**Redemption:**

The applicable Final Terms and/or Pricing Term Sheet will indicate either that the Senior Notes cannot be redeemed prior to their stated maturity, if applicable, or for taxation reasons or following an Event of Default or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving not less than 30 nor more than 60 days' irrevocable notice (or such other notice period (if any) as is indicated in the applicable Final Terms and/or Pricing Term Sheet) to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Final Terms and/or Pricing Term Sheet.

The applicable Final Terms in respect of Subordinated Notes which qualify as tier 2 capital ("**Tier 2 Notes**") will indicate whether such Notes will be redeemable at the option of the Issuer at the amount and on the date(s) specified in the applicable Final Terms with the prior consent of De Nederlandsche Bank N.V. (Dutch Central Bank) ("**DNB**") and upon giving not less than 30 nor more than 60 days' irrevocable notice, in the event that DNB has issued rules or regulations as a result of which the whole or at least the minimum percentage of the outstanding nominal amount of the Notes as specified in the applicable Final Terms ceases, or will cease, to qualify as Tier 2 capital of the Issuer for the purposes of the regulatory capital requirements to which it is subject (other than in accordance with the rules or regulations of DNB in force on the issue date of the relevant Notes) or has otherwise determined that the whole or at least the minimum percentage of the outstanding nominal amount of the Notes as specified in the applicable Final Terms ceases, or will cease, to qualify as Tier 2 capital of the Issuer for the purposes of such regulatory capital requirements (other than in accordance with the rules or regulations of DNB in force on the issue date of the relevant Notes). The applicable Final Terms may provide that Notes may be repayable in two or more installments of such amounts and on such dates as indicated in it.

**Denomination of Notes:**

The Notes will be issued in minimum denominations of US\$200,000 (or, in the case of Foreign Currency Notes), the equivalent thereof in such foreign currency, rounded down to the nearest 100,000 units of such foreign currency but so that in no event the minimum denomination will be lower than EUR 100,000 or its equivalent at the date of issue of the relevant Notes) and integral multiples of US\$1,000 (or, in the case of Foreign Currency Notes, 1,000 units of such foreign currency) in excess thereof. Unless otherwise permitted by applicable law, Senior Notes with a maturity of less than one year must (a) have a minimum denomination of US\$250,000 or its equivalent or, if higher, the then equivalent of £100,000 and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (b) be issued in other circumstances which do not constitute a contravention of Section 19 of FSMA.

See “*Special Provisions Relating to Foreign Currency Notes*” for additional information regarding Foreign Currency Notes.

**Payments:**

Except as otherwise set forth in the applicable Pricing Term Sheet and/or Final Terms, the Issuer will be obligated to make payments of principal and premium, if any, and interest on the Notes in the currency in which such Notes are denominated. Except as otherwise set forth herein or in the applicable Pricing Term Sheet and/or Final Terms, any such amounts to be paid by the Issuer in respect of DTC Global Certificates denominated in currencies other than in US Dollars will, unless otherwise specified in the applicable Pricing Term Sheet and/or Final Terms, or unless the holder of a Foreign Currency Note elects to receive payments in the Specified Currency, be converted into US Dollars for payment to the holders thereof, in each case as described under Condition 6.

**Taxation:** Payments in respect of the Notes will as specified in the applicable Final Terms and/or Pricing Term Sheet be made without withholding or deduction for or on account of taxes levied in The Netherlands, unless such withholding or deduction is required by law. In that event, the Issuer will either (i) not pay any additional amounts or (ii) pay such additional amounts as will be necessary in order that the net amounts received by holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes as the case may be, in the absence of such withholding or deduction, all as provided in Condition 8.

**Negative Pledge:** None.

**Cross Default:** None.

**Status of the Senior Notes:** The Senior Notes will constitute unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* without any preference among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer save for those preferred by mandatory and/or overriding provisions of law.

**Status and Subordination Terms of the Subordinated Notes:** The Subordinated Notes will constitute unsecured subordinated obligations of the Issuer and will rank *pari passu* without any preference among themselves and with all other present and future unsecured and subordinated obligations of the Issuer (other than those subordinated obligations expressed by their terms to rank lower than the Subordinated Notes), save for those preferred by mandatory and/or overriding provisions of law.

The claims of the holders of the Subordinated Notes of each Series (the “**Subordinated Holders**”) against the Issuer will:

- (i) in the event of the liquidation or bankruptcy of the Issuer; or
- (ii) in the event that a competent court has declared an emergency regulation (*noodregeling*) in respect of the Issuer in the interests of all creditors, as referred to in Chapter 3.5.5 of the Dutch Act on financial supervision (*Wet op het financieel toezicht*, the “**Wft**”), and for so long as such situation is in force (such situation being hereinafter referred to as a “**Moratorium**”),

be subordinated to (a) the claims of depositors (other than in respect of those whose deposits are expressed by their terms to rank equally to or lower than the Subordinated Notes), (b) unsubordinated claims with respect to the repayment of borrowed money and (c) other unsubordinated claims.

By virtue of such subordination, payments to a Subordinated Holder will, in the event of liquidation or bankruptcy of the Issuer or in the event of a Moratorium with respect to the Issuer, only be made after, and any set-off by a Subordinated Holder shall be excluded until, all obligations of the Issuer resulting from higher-ranking deposits, unsubordinated claims with respect to the repayment of borrowed money and other unsubordinated claims have been satisfied.

For the purposes of DNB's regulatory capital requirements to which the Issuer is subject, Subordinated Notes may qualify as "**Tier 2 Notes**" as referred to in such regulatory capital requirements. Tier 2 Notes include Subordinated Notes with a minimum original maturity of five years and a day.

**Listing and admission to trading:**

Application has been made to Euronext in Amsterdam for the Notes to be issued under the Program to be admitted to trading and listed on Euronext in Amsterdam. The Notes may also be listed on such other or further stock exchange or stock exchanges as may be agreed between the Issuer and the relevant Agent (if any) in relation to each issue. Unlisted Notes may also be issued. The applicable Final Terms and/or Pricing Term Sheet will state whether or not the Notes are to be listed or admitted to trading, as the case may be, and, if so, on which exchanges and/or markets.

**Substitution of the Issuer:**

The Issuer may, if certain conditions have been fulfilled, with the consent of the Noteholders which will be deemed to have been given in respect of each issue of Notes on which no payment of principal of or interest on any of the Notes is in default and in respect of any Tier 2 Notes, after written approval of DNB, be replaced and substituted by any directly or indirectly wholly-owned subsidiary of the Issuer (the "**Substituted Debtor**") as principal debtor in respect of the Notes.

**Governing Law:**

The Notes and the Amended and Restated Agency Agreement shall be governed, construed and interpreted in accordance with the law of the State of New York, without reference to conflicts of laws principles, except that the ranking of the Notes and the provisions relating to subordination set forth in the Notes (including the Conditions) and the Amended and Restated Agency Agreement shall be governed, construed and interpreted in accordance with the laws of The Netherlands.

**Selling Restrictions:**

The Notes may be offered (i) in the United States only, (ii) outside the United States only or (iii) in and outside the United States simultaneously as part of a global offering. The offering and distribution of the Notes are subject to certain restrictions. In particular, restrictions on the offering and distribution of the Notes and this Base Prospectus will apply to sales made in certain other countries, including the United States, the EEA, the United Kingdom, and other restrictions may apply in connection with a particular issuance of Notes, as specified in the applicable Pricing Term Sheet and/or Final Terms. See “*Plan of Distribution*”. Any such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes will be set forth in the applicable Pricing Term Sheet and/or Final Terms.



## **RISK FACTORS**

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

*The materialization of the risks described below could have a material adverse effect on ABN AMRO Bank's future business, operating results or financial condition. Additional risks not currently known to ABN AMRO Bank or that ABN AMRO Bank now views as immaterial may also have a material adverse effect on ABN AMRO Bank's future business, operating results on financial condition and affect an investment in Notes issued under the Program. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

*Words and expressions defined in the sections headed "The Issuer", "Book Entry, Delivery, Form and Settlement" and "Terms and Conditions of the Notes" below shall have the same meaning in this section.*

### **Risks relating to ABN AMRO Bank's business and industry**

***Conditions in the global financial markets and economy remain challenging and may materially adversely affect the Issuer's business and profitability.***

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

Since mid-2008, a host of government actions have been implemented in response to the financial crisis and the recession. Also the ECB, the European Union ("EU") and the International Monetary Fund have announced and implemented a package of measures in response to disruption in the European debt markets. Some government and central bank programs have already expired and other support programs are expected to be wound down. The timing and the impact of the wind-down of these programs on the financial sector and on the nascent economic recovery is unknown. As government and other support schemes are cancelled, changed or withdrawn, there is a possibility that the Issuer, in common with other financial institutions, may have insufficient access to, or incur higher costs associated with, funding alternatives, which could have a material adverse effect on the Issuer's business, financial position, results of operations and prospects. In addition, a stall in the economic recovery or continuation or worsening of current financial market conditions, including the debt related problems of certain EU member states in the eurozone, could exacerbate these effects.

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

***Securities market volatility, liquidity disruptions or market dislocations can adversely affect the Issuer's banking activities.***

The securities markets have been experiencing a sustained period of high volatility, severe market dislocations and liquidity disruptions. Also, the level and volatility in financial markets can negatively affect the Issuer's merchant banking, securities trading and brokerage activities. Volatility and declines in financial markets can reduce unrealized gains in the Issuer's various portfolios or the demand for some of the Issuer's banking products.

Since the start of the financial crisis in 2007, both the debt and the equity securities markets have been very volatile. Under these extreme conditions, hedging and other risk management strategies may not be as effective at mitigating trading risks as they would be under more normal market conditions. There is no assurance that such volatility will not result in a prolonged market decline, or such market declines for other reasons will not occur in the future.

Market declines and periods of high volatility can occur not only as a result of purely economic factors, but also as a result of war, acts of terrorism, natural disasters or other similar events outside the Issuer's control.

Severe market events have historically been difficult to predict, however, and the Issuer could realize 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 financial position and results of operations.

***Changes in interest rates and foreign exchange rates may adversely affect the Issuer's results.***

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

In addition, the Issuer publishes the Issuer's consolidated 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 year to year.

***Markets may experience periods of high volatility accompanied by reduced liquidity, which may lead to market risk losses and adversely influence the Issuer's ability to hedge its risks effectively.***

Market volatility, illiquid market conditions and disruptions in the financial markets remain a risk that can negatively affect the Issuer's results of operations, prospects and financial position, *inter*

*alia*, through a reduction in demand for products and services, a reduction in the value of assets held by the Issuer, a decline in the profitability of certain assets and a loss of liquidity in certain asset classes. In addition, financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity.

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. Volatility and declines in financial markets can reduce unrealized gains or increase unrealized losses in the Issuer's various portfolios. Under extreme conditions, hedging and other risk management strategies may not be as effective at mitigating trading risks as they would be under more normal market conditions. Moreover, under these conditions market participants are particularly exposed to trading strategies employed by many market participants simultaneously and on a large scale. The Issuer's risk management and monitoring processes seek to quantify and mitigate risk to more extreme market moves. Severe market events have historically been difficult to predict, however, and the Issuer could realize significant losses if extreme market events were to persist for an extended period of time.

***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 the Issuer will be unable to meet its obligations, including funding commitments, as they fall due. This risk is inherent in banking operations and can be heightened 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 market dislocation and major disasters.

In addition, there is also a risk that corporate and institutional counterparties with credit exposures may look to reduce all credit exposures to banks, given current risk aversion trends. It is possible that credit market dislocation becomes so severe that overnight funding from non-government sources ceases to be available.

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

In periods of liquidity stress the Issuer, in line with other financial institutions, 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 a further lengthening of the funding profile of the Issuer.

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

***Reductions in the Issuer's credit ratings could have a significant impact on the bank's funding and liquidity through reduced funding capacity and collateral triggers as well as adversely affect the Issuer's business operations.***

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

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

As a result, any reductions in the Issuer's credit ratings could have a negative impact on the Issuer's earnings, profitability, financial position, ability to raise funding and competitive position.

***The financial services industry is subject to intensive regulation. Major changes in regulation and other laws and the enforcement actions could adversely affect the Issuer's business.***

The Issuer conducts its businesses subject to financial services laws and regulations, as well as other laws and regulations (including behavioral requirements), rules, corporate governance requirements and administrative actions and policies in each location in which it operates. DNB and other regulators in various jurisdictions may impose further restrictions and conditions to the Issuer. The timing and form of future changes in any laws, regulations or other rules, requirements, actions and policies or in the interpretation thereof, are unpredictable and beyond the Issuer's control, and changes made could materially adversely affect the Issuer's business, the products and services the Issuer offers or the value of its assets or extent of its liabilities.

Any changes in the tax or other laws of jurisdictions in which the Issuer operates which affect its products, could have a material adverse effect on its banking or other businesses and results of operations and financial position. This includes a possible bank tax levied by the Dutch State, and a change in the financing of compensations under the Dutch Deposit Guarantee Scheme (*Depositogarantiestelsel*) from ex post to ex ante.

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

As a financial company, certain reform proposals under consideration could result in the Issuer becoming subject to stricter capital requirements and could also affect the scope, coverage, or calculation of capital, all of which could require the Issuer to reduce business levels 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. See also *"As a result of capital and/or liquidity requirements, the Issuer may not be able to manage its capital and liquidity effectively, which may adversely affect its business performance."* below.

On 4 March 2011, the Dutch Ministry of Finance commenced a consultation process in relation to newly proposed banking legislation dealing with ailing banks (the "**Dutch Proposal**"). The Dutch Proposal was preceded by a consultation launched by the European Commission on 6 January 2011 on a comprehensive framework for dealing with ailing banks (the "**EU Proposal**") which contains a number of legislative proposals similar to the Dutch proposal. Under the Dutch Proposal, substantial new powers would be granted to the Dutch Central Bank, (*De Nederlandsche Bank N.V.*, "**DNB**") and the Dutch Minister of Finance enabling them to deal with, *inter alia*, ailing Dutch banks prior to insolvency. The Dutch Proposal aims to empower DNB or the Minister of Finance, as applicable, to commence proceedings leading to: (i) transfer of all or part of the business (including deposits) of the relevant bank to a private sector purchaser; (ii) transfer of all or part of the business of the relevant bank to a "bridge bank"; and (iii) public ownership (nationalization) of the relevant bank. Subject to certain exceptions, as soon as any of these proposed proceedings have been initiated by DNB or the Minister of Finance, as applicable, the relevant counterparties of such bank would not be entitled to invoke events of default or set off their claims against the bank.

The EU proposal includes a discussion of possible proposals to give regulators resolution powers to write down debt of a failing bank (or to convert such debt into equity) to strengthen its financial position and allow it to continue as a going concern subject to appropriate restructuring. The working document states that it is not envisaged to apply any measures ultimately adopted in this area to any debt currently in issue.

It is at this stage uncertain if the Dutch proposal and/or the EU Proposal will be adopted and if so, when and in what form. However, if the Dutch Proposal and/or the EU Proposal were to be adopted in their current form, this could negatively affect the position of certain categories of the Issuer's bondholders and the credit rating attached to certain categories of debts instruments then outstanding, in particular and when any of the above proceedings would be commenced against the Issuer. These measures could increase the Issuer's cost of funding and thereby have an adverse impact on the Issuer's financial position and results of operation.

The Basel Committee on Banking Supervision (the "**Basel Committee**") has proposed a number of reforms to the regulatory capital framework for internationally active banks, the principal elements of which are 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**").

The Basel III Final Recommendations state that, subject to the next paragraph below, the terms and conditions of all non-common equity Tier 1 and Tier 2 instruments must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or

converted into ordinary shares upon the occurrence of a specified trigger event (a "**Non-Viability Event**"). A Non-Viability Event will be the earlier of (a) a decision that a write-off, without which the relevant bank would become non-viable, is necessary as determined by the relevant authority; and (b) the decision to make a public sector injection of capital, without which the relevant bank would become non-viable, as determined by the relevant authority.

The 13 January 2011 press release also states that it is not necessary to include in the contractual terms of the instruments a specific provision for write-off or conversion of such instrument upon a Non-Viability Event occurring if (i) the governing jurisdiction of the bank has in place laws that (aa) require such instruments to be written off or converted upon the occurrence of such trigger event, or (bb) otherwise require such instrument to fully absorb losses before tax payers are exposed to loss; (ii) a peer group review confirms that the jurisdiction so conforms; and (iii) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under (aa) above.

It is possible that upon adoption of the Dutch Proposal or the EU Proposal any new powers which may be given to DNB or another relevant authority could be used in such a way as to result in the subordinated and/or senior debt instruments of the Issuer absorbing losses in the course of any resolution of the issuer. It is also possible that there could be amendments to the Dutch Proposal or the EU Proposal that could result in such subordinated and/or senior debt instruments of the Issuer absorbing losses in the course of any such resolution. The application of any such legislation may affect the rights and effective remedies of holders of subordinated and/or senior debt instruments as well as the market value of such debt instruments. These measures could increase Issuer's cost of funding and thereby have an adverse impact on the Issuer's financial position and result of operation.

Furthermore, there can be no assurance that, prior to the proposed implementation of the Basel III Final Recommendations from 1 January 2013, the Basel Committee will not amend the Basel III Final Recommendations. Further, the European Union and/or authorities in The Netherlands may implement the Basel III Final Recommendations, including the terms which subordinated debt instruments are required to have, in a manner that is different from that which is currently envisaged or may impose more onerous requirements on Dutch banks.

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

***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 is critical to its ability to operate its businesses, to grow organically and to pursue its strategy of returning to standalone strength. The Issuer is required by regulators in The Netherlands and in other jurisdictions in which it undertakes regulated activities, to maintain adequate capital resources. The maintenance of adequate capital is also necessary for the Issuer's financial flexibility in the face of continuing turbulence and uncertainty in the global economy.

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. Due to changes in the market, the European Commission revised the

Capital Requirements Directives ("**CRD II**") in several respects. These changes came into effect with the introduction of CRD II on 1 January 2011.

Further revisions of the Capital Requirements Directives ("**CRD III**") have been adopted during the second half of 2010 by the European Parliament and the European Council. Parts of the CRD III entered into force in January 2011. These relate to the extension of the floors, remuneration principles and several technical adjustments. The changes in the market risk framework and on (re)securitisations will enter into force on 31 December 2011.

The Basel Committee has proposed further changes to the capital and liquidity requirements for banks, in its Basel III Recommendations which, most notably, are intended to increase the quality and quantity of capital, to build up of capital buffers in good times that can be drawn upon in periods of stress, strengthen the risk coverage of the capital framework in relation to derivative positions and to introduce a new liquidity framework and a leverage ratio.

These Basel III Recommendations are being discussed in various European fora and are being proposed as further revisions to the Capital Requirements Directives ("**CRD IV**"). There can be no assurance that, prior to the proposed implementation of the Basel III Final Recommendations from 1 January 2013, the Basel Committee will not amend the Basel III Final Recommendations. Further, the European Union and/or authorities in The Netherlands may implement the Basel III Final Recommendations in a manner that is different from that which is currently envisaged or may impose more onerous requirements on Dutch banks.

If implemented in The Netherlands in its current form, the Basel III Final Recommendations will result in an increase of the minimum common equity (or equivalent) requirement from 2% (before the application of regulatory adjustments) to 4.5% (after the application of stricter regulatory adjustments). The total Tier 1 capital requirement will increase from 4% to 6%. In addition, banks will be required to maintain, in the form of common equity (or equivalent), a capital conservation buffer of 2.5% to withstand future periods of stress, bringing the total common equity (or equivalent) requirements to 7%. If there is excess credit growth in any given country resulting in a system-wide build up of risk, a countercyclical buffer within a range of 0% to 2.5% of common equity (or other fully loss absorbing capital) is to be applied as an extension of the conservation buffer. In addition, a leverage ratio will be introduced. This ratio is intended to reinforce the risk based requirements with a simple, non-risk based "backstop" measure as well as constrain the build-up of leverage in the banking sector. It restricts the absolute level of indebtedness which a bank may take on, regardless of how much risk is incurred. The proposed leverage ratio expresses equity as a percentage of total assets, which may not fall below 3% effective 2018. The basis of calculation is the average of the monthly leverage ratio over the quarter based on the Basel Committee's definitions of capital (the capital measure) and total exposure (the exposure measure) as specified in the Basel III Final Recommendations.

Furthermore, a liquidity coverage ratio and a net stable funding ratio are proposed. The liquidity coverage ratio is intended to promote resilience to potential liquidity stress scenarios lasting for a 30-day period. The net stable funding ratio is intended to limit over reliance on short-term wholesale funding and has been developed to provide a sustainable maturity structure of assets and liabilities.

The Basel Committee is conducting further work on systemically important financial institutions and contingent capital in close coordination with the Financial Stability Board. The Basel Committee has stated that measures may include capital surcharges, contingent capital and bail-in

debt (which could be introduced by statute, possibly impacting existing as well as future issues of debt and exposing them to the risk of conversion into equity and/or write-down of principal amount). Such measures would be in addition to proposals for the write-off of Tier 1 and Tier 2 debt (and its possible conversion into ordinary shares) if a bank becomes non-viable. In July 2011 the Basel Committee published a consultative document setting out a methodology for identifying global systemically important financial institutions with a view to the Financial Stability Board and national authorities determining by mid-to-late 2011 those institutions to which the recommendations for global systemically important financial institutions will initially apply. In addition, the aforementioned consultative document includes a study of how much additional loss absorbency capacity global systemically important financial institutions should have and how much of such capacity could be provided by the various proposed instruments (which according to the Basel Committee in its consultative document should be only Common Equity Tier 1 to meet the minimum proposed global additional loss absorbency requirements).

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. If the Issuer is unable to raise the requisite regulatory capital, it may be required to further reduce the amount of its risk-weighted assets and engage in the disposition of core and other non-core businesses, which may not occur on a timely basis or achieve prices which would otherwise be attractive to the Issuer.

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

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

There is substantial competition for the types of banking and other products and services that the Issuer provides in the regions in which the Issuer conducts large portions of its business, especially in The Netherlands. As a result, the Issuer's strategy is to maintain customer loyalty and retention. In other international markets, the Issuer faces competition from the leading domestic and international institutions active in the relevant national and international markets.

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

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

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



***The Issuer's businesses are primarily located in The Netherlands.***

Most of the Issuer's operations and assets are located in The Netherlands. Accordingly, the Issuer is largely dependent upon the prevailing economic conditions in The Netherlands, particularly those which impact the mortgage market. In addition, the economic conditions in The Netherlands may be affected by conditions in the global financial markets and in the Eurozone (see "*Conditions in the global financial markets and economy remain challenging and may materially adversely affect the Issuer's business and profitability*"). Accordingly, deterioration or long-term persistence of the difficult economic environment in The Netherlands could have a negative effect on the Issuer's business, results of operations and financial position.

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

The Issuer's businesses are subject to general credit and country risks, including credit risks of borrowers and other counterparties. Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Issuer's businesses. Third parties that owe the Issuer money, securities or other assets may not pay or perform under their obligations. These parties include borrowers (under loans), the issuers whose securities the Issuer holds, customers, trading counterparties, counterparties under swaps and credit and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. These parties may default on their obligations to the Issuer due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons. In view of the current global economic outlook, the Issuer may continue to see adverse changes in the credit quality of its borrowers and counterparties, for example, as a result of their inability to refinance their indebtedness, with increasing delinquencies, defaults and insolvencies across a range of sectors (such as the personal and banking and financial institution sectors) and in a number of geographies. This trend has led to and may continue to lead to further impairment charges, higher costs, additional write-downs and losses for the Issuer.

The financial and/or commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships between the institutions. As a result, concerns about, or a default or threatened default by, one institution could affect the banking system and lead to significant market-wide liquidity problems and financial losses at many financial institutions. It may even lead to further defaults of other financial institutions, which is referred to as "systemic risk". A systemic risk event may also adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, to which the Issuer is exposed.

The above factors may lead to material losses for the Issuer and may have an adverse effect on the Issuer's results.

***Increases in the Issuer's allowances for loan losses may have an adverse effect on the Issuer's results.***

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

factors related to the collectability of the Issuer's loan portfolio. Although management uses its best efforts to establish the allowances for loan losses, that determination is subject to significant judgment, and the Issuer's banking businesses may have to increase or decrease their allowances for loan losses in the future as a result of increases or decreases in non-performing assets or for other reasons. Any increase in the allowances for loan losses, any loan losses in excess of the previously determined provisions with respect thereto or changes in the estimate of the risk of loss inherent in the portfolio of non-impaired loans could have an adverse effect on the Issuer's results of operations and financial position.

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

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

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

The Issuer, like all financial institutions, is exposed to many types of operational risk, including the risk of fraud 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. The Issuer may also be subject to disruptions of the Issuer's operating systems, arising from events that are wholly or partially beyond the Issuer's control (including, for example, computer viruses or electrical or telecommunication outages), which may give rise to losses in service to customers and to loss or liability to the Issuer. The Issuer is further exposed to the risk that external vendors may be unable to fulfil their contractual obligations to the Issuer, and to the risk that their business continuity and data security systems prove to be inadequate. Also, the quality of data available to management may, at times, be insufficient or the data might not be available in a timely fashion. This may cause management to make improper decisions which in turn could influence the Issuer's results of operations or financial position adversely. Furthermore, the Issuer faces the risk that the design of the Issuer's controls and procedures prove to be inadequate or are circumvented. Although the Issuer has implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures, to identify and rectify weaknesses in existing procedures and to train staff, it is not possible to be certain that such actions have been or will be effective in controlling each of the operational risks faced by the Issuer. Any weakness in these systems or controls, or any breaches or alleged breaches of applicable laws or regulations, could have a materially negative impact on the Issuer's business, reputation and results of operations.

***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.***

The Issuer devotes significant resources to developing risk management policies, procedures and assessment methods for the Issuer's banking businesses. The Issuer uses a value-at-risk ("VaR")

model, duration 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 qualitative 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 does 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.

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

The Issuer is subject to changes in financial reporting standards such as the implementation of IFRS 9 as adopted by the EU which includes revised directions on classification and measurement of financial assets, impairment of financial assets and hedge accounting. These, and other possible changes to EU IFRS, could materially adversely affect the Issuer's results of operations or financial position.

***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 utilize observable market data.

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

***The Issuer has obligations under defined benefit pension plans which may lead to additional contributions from the Issuer.***

The Issuer has in place several pension schemes for its employees, under which it has an obligation to pay contributions for the aggregate pension rights of participants in this pension scheme. Most participants have accrued rights under defined benefit plans within this pension scheme. The emergence of a material shortfall of the pension schemes in relation to the participants' rights may lead to additional contributions from the Issuer being required and could adversely affect the Issuer's financial position, results of operations and prospects.

In addition, the Issuer is subject to potential changes in reporting standards set for pension obligations. For example, the implementation of the changes proposed to International Accounting Standard ("IAS") 19, for instance may lead to the corridor method, which is currently in use, not being allowed, which could materially adversely affect the Issuer's financial position.

***The Issuer is subject to legal risk, which may have an adverse impact on the Issuer's results.***

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 future actions may be significant. There may also be adverse publicity associated with litigation that could decrease customer acceptance of the Issuer's services, regardless of whether the allegations are valid or whether the Issuer is ultimately found liable. (See also "*The Issuer is subject to reputational risk*" below). As a result, litigation may adversely affect the Issuer's business.

In presenting the consolidated financial statements, management may make estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated. Changes in estimates may have an adverse effect on the Issuer's results.

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

Reputational risk exists in many forms in all of the Issuer's activities. Examples are the failure or perceived failure to comply with legal and regulatory rules, laws, regulations and other requirements or codes of conduct by the Issuer or its customers, anti-money laundering, bribery or anti-corruption measures, anti-terrorist financing procedures, the quality and transparency of products sold to clients or the conduct of its employees. Strict compliance procedures are in place to minimize this risk, as well as decision-making procedures for new activities and products. In addition the Issuer's reputation could also be harmed as a result of negative external publicity over which the Issuer has no or minimal control. These factors may adversely affect the Issuer's operating results, prospects and financial position.

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

Employees are one of the Issuer's most important resources and competition for qualified employees is intense. In order to attract and retain qualified employees, the Issuer seeks to

compensate such employees at market levels. Higher compensation costs or the inability to attract and retain qualified employees could affect the Issuer's performance materially adversely.

The financial industry is currently implementing new rules and regulations on remuneration policies such as included in CRD III, the "*Code Banken*" and the Committee of European Banking Supervisors (CEBS) guidelines on remuneration policies and practices.

The financial industry may experience additional regulation of employee compensation, or employee compensation may be made subject to special taxation, which could have an adverse effect on the Issuer's ability to hire or retain the most qualified employees.

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

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

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

ABN AMRO Group N.V. may revoke the 403 Declaration at any time.

***The Issuer is subject to additional risk exposure as a consequence of various legal and operational separation and integration activities.***

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.

As a result of the Legal Demerger and the Legal Separation, the Issuer and RBS N.V. will remain interdependent with respect to certain business areas, for which they will need to provide certain services to each other during a defined period. Furthermore, as a result of the EC Remedy there are remaining interdependencies between Deutsche Bank Nederland N.V. and the Issuer, including an obligation for the Issuer to continue to provide certain services to Deutsche Bank Nederland N.V. during a defined period. Also, since FBN was part of the former Fortis group until late 2008, there are remaining interdependencies between Fortis Bank SA/NV, ASR Nederland (which was also split off from the former Fortis group as a separate business) and the Issuer with respect to certain services.

In addition, following completion of the Legal Demerger creditors now only have recourse to the entity to which the relevant assets and liabilities have been transferred for payments in respect of the appropriate securities. 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.

The liability of the Issuer is limited to the amount of equity acquired at the Legal Demerger, which amounts to EUR 1.8 billion. The liability of RBS N.V. is limited to the equity retained at the Legal Demerger, amounting to EUR 4.0 billion.

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.

Also, the integration process of ABN AMRO Bank Standalone with FBN following the Legal Merger could be delayed due to, *inter alia*, delays in the integration of the operations, activities and/or businesses. Delay in this integration may reduce the anticipated benefits of the integration, impose additional costs or adversely affect the operation of the Issuer.

Prior to the Legal Merger, both FBN and ABN AMRO Bank Standalone reported their capital positions to DNB on a separate basis. Following the Legal Merger the calculation of risk-weighted assets and capital figures has been harmonized. Since the Legal Merger, the Issuer is in the process of harmonizing the application of Basel II policies, methodologies and models with respect to regulatory capital and risk weighted assets calculation for the merged bank. Until completion of the harmonization, the reported Basel II capital ratios will be combined pro forma capital ratios based on consolidated EU IFRS equity. Delay in this harmonization may impose additional costs, reduce the anticipated benefits of the integration or adversely affect the results of operations or financial position of the Issuer.

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, EC Remedy and Legal Merger. Risks 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.

***Termination of Dutch State Ownership of the Issuer could adversely affect the Issuer's business.***

Until 29 September 2011, the Dutch State had direct control over ABN AMRO, however, the Dutch State was not involved in the day-to-day management of ABN AMRO. On 29 September 2011, direct control was transferred to the Foundation, see "*The Issuer—ABN AMRO Group N.V.—Main Shareholder, Group and Control*". The Dutch State has announced that it does not expect to dispose of its interest in ABN AMRO before 2014. While it retains all options, the Dutch State has indicated that it favors an initial public offering.

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

***The Issuer may fail to realize the anticipated business growth opportunities, synergies and other benefits anticipated from the Legal Merger and the subsequent integration process, which could result in a material adverse effect on its results of operations, financial position and prospects.***

There is no assurance that the Legal Merger and the subsequent integration process will achieve the anticipated business growth opportunities, synergies and other potential benefits. The integration of ABN AMRO Bank Standalone with FBN following the Legal Merger and the realisation of the expected benefits is challenging within the timeframe contemplated. Successful implementation of this plan requires a significant amount of management time and, thus, may affect or impair management's ability to run the Issuer's operations effectively during this period of implementation. In addition, the integration is subject to a number of additional risks, including: difficulties or unexpected costs relating to the integration of technology platforms, financial and accounting systems, risk management systems and management systems of two organisations; difficulties in achieving anticipated cost savings; and the unexpected losses of key personnel during or following the integration of the two businesses.

In addition, there can be no assurance that the total costs associated with the implementation of the integration currently anticipated by the Issuer will not be exceeded.

If any of the above risks should occur, or if there are unexpected challenges in the integration process, this could have an adverse affect on the Issuer's results of operations or financial position.

***The European Commission has imposed certain conditions on the Issuer that could adversely affect the Issuers' business and results of operations.***

The European Commission has imposed certain conditions in order to approve the support package and restructuring plan for ABN AMRO Group N.V. that restrict the Issuer from conducting certain activities. Examples are a ban on acquisitions, price leadership conditions and other restrictions. Any of these restrictions could have a negative impact on the Issuer's competitive position. Since the markets in which the Issuer operates are expected to remain highly competitive in all areas, these conditions could adversely affect the Issuer's market share, results of operations, prospects and financial position.

#### **Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Program**

***The Notes may not be a suitable investment for all investors.***

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behavior of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

#### **Risks related to the structure of a particular issue of Notes**

A wide range of Notes may be issued under the Program. A number of these Notes may have features which contain particular risks for potential investors.

#### ***The Notes may be subject to optional redemption by the Issuer.***

The Final Terms and/or Pricing Term Sheet of any issue of a Series of Notes under the Program may specify that such Notes are subject to redemption at the option of the Issuer. Any optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

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



***Index Linked Notes and Dual Currency Notes are subject to factors outside the control of the Issuer.***

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities, to movements in currency exchange rates or other factors (each, a “**Relevant Factor**”). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Prospective investors should be aware that:

- (i) the market price of such Notes may be very volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, potential investors should consult their own financial and legal advisers about the risks entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of their particular circumstances.

***Fixed/Floating Rate Notes may be converted at the discretion of the Issuer.***

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer’s ability to convert the interest rate will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favorable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

***The price of Notes issued at a substantial discount or premium may be more volatile.***

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

***Holders of Subordinated Notes have limited rights to accelerate.***

The Issuer may issue Notes under the Program which are subordinated to the extent described in Condition 4. Any such Subordinated Notes will constitute unsecured obligations of the Issuer and will rank pari passu without any preference among themselves and with all other present and future unsecured and subordinated obligations of the Issuer (other than those subordinated obligations expressed by their terms to rank lower than the Subordinated Notes), save for those preferred by mandatory and/or overriding provisions of law. In the event of liquidation or bankruptcy of the Issuer or in the event of a Moratorium (as defined in Condition 4(c)) with respect to the Issuer, the claims of the holders of the Subordinated Notes against the Issuer will be subordinated to (a) the claims of depositors (other than in respect of those whose deposits are expressed by their terms to rank equally to or lower than the Subordinated Notes), (b) unsubordinated claims with respect to the repayment of borrowed money and (c) other unsubordinated claims. By virtue of such subordination, payments to a Subordinated Holder will, in the event of liquidation or bankruptcy of the Issuer or in the event of a Moratorium with respect to the Issuer, only be made after, and any set-off by a Subordinated Holder shall be excluded until, all obligations of the Issuer resulting from higher-ranking deposits, unsubordinated claims with respect to the repayment of borrowed money and other unsubordinated claims have been satisfied. A Subordinated Holder may therefore recover less than the holders of deposit liabilities or the holders of other unsubordinated liabilities of the Issuer. Furthermore, the Conditions do not limit the amount of the liabilities ranking senior to any Subordinated Notes which may be incurred or assumed by the Issuer from time to time, whether before or after the issue date of the relevant Subordinated Notes.

In addition, the rights of Holders of Subordinated Notes are limited in certain respects. In particular, (i) redemption of Subordinated Notes pursuant to Conditions 7(b), (c), (d) or (e) may only be effected after the Issuer has obtained the written consent of DNB, and (ii) the Issuer must obtain the prior written consent of DNB before effecting any repayment of Subordinated Notes following an event of default. See Conditions 7(f) and 9 for further details.

Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should the Issuer become insolvent.

***The market value of Inverse Floating Rate Notes are more volatile than market values of other conventional floating rate debt securities.***

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

*Tier 2 Subordinated Notes are subject to optional redemption and deference of payment of interest by the Issuer under certain circumstances.*

Tier 2 Notes are perpetual securities and have no maturity date. The Issuer is under no obligation to redeem Tier 2 Notes at any time and the Holders have no right to call for their redemption. Upon the occurrence of certain specified tax events or if the Tier 2 Notes have been issued with an optional redemption right for the Issuer, such Notes may be redeemed at their principal amount or such other amount as specified in the Final Terms. See above under “*The Notes may be subject to optional redemption by the Issuer*”.

The Issuer may at its discretion elect to defer any payment of interest of the Tier 2 Notes for any period of time subject to suspension of payment on any class of share capital of ABN AMRO Group N.V. If the Issuer makes this election, the arrears of interest shall not themselves bear interest and will become fully payable, inter alia, if the Issuer is dissolved, declared bankrupt or a Moratorium is declared in respect of the Issuer.

Any deferral of interest payments will likely have an adverse effect on the market price of Tier 2 Notes. In addition, as a result of the interest deferral provision of the Tier 2 Notes, the market price of the Tier 2 Notes may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer’s financial condition.

*There is a redemption risk in respect of certain issues of Tier 2 Subordinated Notes.*

If the applicable Final Terms in respect of Tier 2 Notes indicate that such Notes are redeemable at the option of the Issuer, in the event that DNB has issued rules or regulations as a result of which the whole or at least the minimum percentage of the outstanding nominal amount of the Notes as specified in the applicable Final Terms, ceases, or will cease, to qualify as Tier 2 capital of the Issuer for the purposes of the solvency guidelines to which it is subject (other than in accordance with the rules or regulations of DNB in force on the issue date of the relevant Notes) or has otherwise determined that the whole or at least the minimum percentage of the outstanding nominal amount of the Notes as specified in the applicable Final Terms, ceases, or will cease, to qualify as Tier 2 capital of the Issuer for the purposes of such solvency guidelines (other than in accordance with the rules or regulations of DNB in force on the issue date of the relevant Notes) and provided the Issuer has notified the holders of the relevant Notes accordingly, the Issuer may redeem the relevant Notes at the amount and on the date(s) specified in the applicable Final Terms with the prior consent of DNB and upon giving not less than 30 nor more than 60 days’ irrevocable notice.

### **Risks related to the Notes generally**

Set out below is a brief description of certain risks relating to the Notes generally:

***Each Noteholder must act independently as Noteholders do not have the benefit of a trustee.***

Because the Notes will not be issued pursuant to an indenture, Noteholders will not have the benefit of a trustee to act upon their behalf and each Noteholder will be responsible for acting independently with respect to certain matters affecting such Noteholder’s Note, including accelerating the maturity thereof upon the occurrence of an event of default, enforcing any

covenants contained therein and responding to any requests for consents, waivers or amendments. See “*Terms and Conditions of the Notes—Events of Default*”.

***The Notes are subject to modification, waivers and substitution.***

The conditions of the Notes contain provisions for soliciting the consent of Noteholders in respect of matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did vote and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that an Agent may, without the consent of Noteholders, agree to (i) any modification (not being a modification requiring the approval of a meeting of Noteholders) of any of the provisions of Notes which is not materially prejudicial to the interests of the Noteholders or (ii) any modification of the Notes which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory and/or overriding provisions of law or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 15 of the conditions of the Notes.

***The EU Savings Directive may require the collection of withholding tax.***

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, the Final Terms and/or Pricing Term Sheet of the relevant Notes will specify whether the Issuer would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Prospectus Directive (as defined in “*Important Information*”).

***Tax consequences of holding the Notes may be complex.***

Potential investors should consider the tax consequences of investing in the Notes and consult their tax adviser about their own tax situation. In particular, depending on which provision is specified in the applicable Pricing Terms Sheet or Final Terms, the Issuer may either (i) make the required withholding or deduction of such taxes, duties, assessments or governmental charges for the account of the holders of the Notes and shall not pay any additional amounts to the holders of the Notes, if such withholding or deduction is required by law or (ii) pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes as the case may be, in the absence of such withholding or deduction. See “*Taxation*”.

***Notes held in global form are reliant on the Registrar and other third parties.***

Notes issued under the Program may be represented by one or more Global Certificates. Such Global Certificates (as defined in “*Book Entry, Delivery, Form and Settlement—Form of the Notes and registration*”) will be deposited with a custodian for and registered in the name of a nominee of DTC (each as defined in “*Book Entry, Delivery, Form and Settlement—Form of the Notes and registration*”). Except in the circumstances described in the relevant Global Certificates, investors will not be entitled to receive Definitive Notes. DTC, or, if applicable,

Euroclear, and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Certificates. While the Notes are represented by one or more Global Certificates, investors will be able to trade their beneficial interests only through DTC, or, if applicable, Euroclear or Clearstream, Luxembourg.

While the Notes are represented by one or more Global Certificates, the Issuer will discharge its payment obligations under the Notes by making payments to the custodian for DTC or, as appropriate, the common depository, for distribution to their account holders. A holder of a beneficial interest in a Global Certificates must rely on the procedures of DTC or, if applicable, Euroclear and Clearstream, Luxembourg, to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificates.

Holders of beneficial interests in the Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by DTC or, if applicable, Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

***The Base Prospectus must be read together with applicable Final Terms or Pricing Term Sheet.***

The terms and conditions of the Notes included in this Base Prospectus apply to the different types of Notes which may be issued under the Program. The full terms and conditions applicable to each Tranche of Notes can be reviewed by reading the master Terms and Conditions as set out in full in “*Terms and Conditions of the Notes*”, which constitute the basis of all Notes to be offered under the Program, together with the relevant Pricing Term Sheet and/or Final Terms which applies and/or disappplies, supplements and/or amends the master Terms and Conditions of the Program in the manner required to reflect the particular terms and conditions applicable to the relevant Series of Notes (or Tranche thereof). Copies of the legal documentation relating to the Program and copies of the Pricing Term Sheet and/or Final Terms relating to each issue of Notes are available for inspection as described in “*General Information*”.

***Definitive Notes where denominations involve integral multiples may be subject to minimum denomination considerations.***

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If Definitive Notes are issued, holders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

### **Risks related to the market generally**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

#### ***The secondary market may not develop.***

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

#### ***The Notes are subject to exchange rate risks and exchange controls.***

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

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

#### ***The price of notes are affected by changes in interest rates.***

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

#### ***The credit ratings of the Notes or the Issuer may not reflect all risks.***

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

***An investor's return on an investment in Notes will be affected by charges incurred by investors.***

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

***An investor's investment in the Notes may be subject to restrictions and qualifications.***

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

***An investor may be unable to enforce US civil judgments against the Issuer.***

The Issuer is a company incorporated under the laws of The Netherlands. A substantial part of its assets are located outside the United States. In addition, substantially all of its officers and directors reside outside the United States and a substantial part of the assets of these persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or such persons or to enforce against any of them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States.

## IMPORTANT INFORMATION

This Base Prospectus constitutes a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), (the “**Prospectus Directive**”). This document does not constitute a prospectus for the purposes of Section 12(a)(2) of, or any other provision of or rule under, the Securities Act.

### **Responsibility statement**

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

The contents of this Base Prospectus are not intended to contain and should not be regarded as containing advice relating to legal, taxation, investment or any other matters and prospective investors are recommended to consult their own professional advisers for any advice concerning the acquisition, holding or disposal of any Notes (as defined below).

Before making an investment decision with respect to any Notes, prospective investors should carefully consider all of the information set out in this Base Prospectus, the Pricing Term Sheet and/or Final Terms as well as their own personal circumstances. Prospective investors should also carefully consider, among other matters, the risks described under the section headed “Risk Factors” in this Base Prospectus.

An investment in the Notes is only suitable for investors who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom.

**THIS BASE PROSPECTUS SHOULD BE READ AND CONSTRUED WITH ANY AMENDMENT OR SUPPLEMENT THERETO AND, IN RELATION TO ANY PARTICULAR ISSUANCE OF THE NOTES, SHOULD BE READ AND CONSTRUED TOGETHER WITH THE RELEVANT FINAL TERMS. IN ADDITION, THE ISSUER AND THE AGENTS MAY, IN CONNECTION WITH ANY PARTICULAR ISSUANCE OF NOTES, PREPARE AND SEND TO INVESTORS A PRICING TERM SHEET AT THE TIME SALES OF SUCH NOTES ARE CONFIRMED AND, WHENEVER THE DEFINED TERM “FINAL TERMS” IS USED IN THIS BASE PROSPECTUS SUCH TERM SHALL BE DEEMED TO INCLUDE ANY SUCH PRICING TERM SHEET, UNLESS THE CONTEXT OTHERWISE REQUIRES.**

The full terms and conditions of each Tranche of Notes can be reviewed by reading the master Terms and Conditions as set out in full in this Base Prospectus in “*Terms and Conditions of the Notes*”, which constitute the basis of all Notes to be offered under the Program. The applicable Pricing Term Sheet and/or Final Terms (each as defined below) for each offering of Notes will contain the specific terms and conditions of the Notes to be sold in that offering and any other information relevant to that offering. Accordingly, investors should carefully review the information contained in both this Base Prospectus (including the master Terms and Conditions) and the applicable Pricing Term Sheet and/or Final Terms (including any description of the method of calculating interest on any Note) which applies and/or disappplies, supplements and/or amends the master Terms and Conditions in the manner required to reflect the particular terms and conditions applicable to the relevant Series of Notes (or Tranche thereof).



References in this Program to Notes being “listed” (and all related references) shall mean that such Notes have been admitted to trading and have been listed on Euronext in Amsterdam. Euronext in Amsterdam is a regulated market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive).

The Issuer may agree with any relevant Agent that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which case a supplementary prospectus, if required, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche of Notes to be sold in the United States will be set forth in a pricing term sheet relating to such Tranche (the “**Pricing Term Sheet**”) and with respect to Notes to be listed on Euronext in Amsterdam, a final terms document (the “**Final Terms**”) substantially in the form set out herein which, will be delivered to Euronext in Amsterdam on or before the date of issue of Notes of such Tranche. There can be no assurance that the Notes offered as described in this Base Prospectus will be sold or that there will be a secondary market for the Notes. See “*Risk Factors*.”

This Base Prospectus, 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*”), has been prepared for use in connection with the Program.

Subject as provided in the applicable Final Terms and/or Pricing Term Sheet, the only persons authorized to use this Base Prospectus in connection with an offer of Notes are the persons named in the applicable Final Terms and/or Pricing Term Sheet as any relevant Agent or the Managers and the persons named in or identifiable following the applicable Final Terms as the Financial Intermediaries, as the case may be.

No person has been authorized to give any information or to make any representation not contained in or not consistent with this Base Prospectus, the applicable Final Terms, the applicable Pricing Term Sheet (if any) or any document incorporated by reference herein or therein, or any other information supplied in connection with the Program or the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer, or any Agent.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration thereunder or exemption therefrom. Prospective purchasers should be aware that they might be required to bear the financial risks of an investment in the Notes for an indefinite period of time.

This Base Prospectus and any supplement to the Base Prospectus (“**Prospectus Supplement**”) will be valid for listing Notes on Euronext in Amsterdam and/or any other exchange in the EEA in an unlimited aggregate nominal amount.

ABN AMRO Group N.V.’s Annual Report 2010 and ABN AMRO Group N.V.’s Interim Financial Report 2011 (in each case as defined in “*Documents Incorporated by Reference*”) are available at <http://www.abnamro.com/debtinvestors>. The other information included on or linked to through this website or in any website referred to in any document incorporated by reference into this Base Prospectus is not a part of this Base Prospectus.

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

Neither this Base Prospectus nor any other information supplied in connection with the Program should be considered as a recommendation by the Issuer or any Agent that any recipient of this Base Prospectus or any other information supplied in connection with the Program should purchase any Notes. Accordingly, no representation, warranty or undertaking, express or implied, is made by the Arranger or any Agent in their capacity as such. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Program or the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Agents (if any) expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Program. Investors should review, inter alia, the most recent financial statements of the Issuer and ABN AMRO Group N.V. incorporated into this Base Prospectus (see “*Documents Incorporated by Reference*”) and those that are published after the date of this Base Prospectus, when deciding whether or not to purchase any Notes.

The Issuer and any Agent do not represent that this Base Prospectus may be lawfully distributed, or that Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction. In particular, no action has been taken by the Issuer or any Agent appointed under the Program which is intended to permit a public offering of the Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Base Prospectus, together with its attachments, nor any advertisement or other offering material may be distributed or published in any jurisdiction where such distribution and/or publication would be prohibited and each Agent (if any) will be required to represent that all offers and sales by it will be made on these terms.

The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Base Prospectus or any Notes come must inform themselves about, and observe, any such restrictions. See “*Notice to Purchasers*” and “*Plan of Distribution*”.

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the EEA which has implemented the Prospectus Directive (2003/71/EC) (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for

offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Agent has authorized, nor do they authorize, the making of any offer of Notes in any other circumstances

### **Stabilization**

In connection with the issue of any Tranche of Notes, the Agent or Agents (if any) named as the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in the applicable Final Terms and/or Pricing Term Sheet may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or persons acting on behalf of a Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or person(s) acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws and rules.

## 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 Base Prospectus:

- (a) ABN AMRO Group N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2010 (as set out on pages 131 to 137 in relation to the financial statements 2010, including the notes to the financial statements as set out on pages 168 to 257 and the paragraphs in Chapter 7 ("Risk management") on pages 62 to 101 other than those captioned "unaudited", the summary of the accounting policies as set out on pages 138 to 167 and the auditors' report thereon on pages 258 and 259, all as included in ABN AMRO Group N.V.'s Annual Report 2010) (the "**Annual Financial Statements 2010**");
- (b) the Issuer's publicly available unaudited abbreviated financial statements 2010 for the financial year ended 31 December 2010 (including the notes to the financial statements) prepared on the basis of article 2:403 of the Dutch Civil Code (Burgerlijk Wetboek);
- (c) ABN AMRO Group N.V.'s publicly available reviewed condensed consolidated interim financial statements for the first half of the financial year ended 30 June 2011 (the "**Interim Financial Statements 2011**") (as set out on pages 39 through 48 in relation to the Interim Financial Statements 2011, including the notes thereto as set out on pages 49 through 72 and the auditors' review report on page 73, all as included in ABN AMRO Group N.V.'s Interim Financial Report 2011);
- (d) the articles of association of the Issuer; and
- (e) the terms and conditions (including the form of final terms) set out on pages 132-165 of the base prospectus prepared by the Issuer in connection with the Program dated 12 November 2010 (the "**2010 Conditions**").

The Issuer will provide, without charge, to each person to whom a copy of this Base Prospectus has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference. Requests for such documents should be directed 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](mailto:investorrelations@nl.abnamro.com)).

## AVAILABLE INFORMATION

ABN AMRO Bank has agreed that, so long as any Notes are “**restricted securities**” within the meaning of Rule 144(a)(3) of the Securities Act, the Issuer will, during any period in which it is neither subject to Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) nor exempt from reporting thereunder pursuant to Rule 12g3-2(b) under the Exchange Act, provide to any holder or beneficial owner of any such “**restricted security**”, or to any prospective purchaser of such restricted security designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) of the Securities Act upon the request of such holder or beneficial owner.

ABN AMRO Bank will, in the event of any significant new factor, material mistake or inaccuracy relating to the information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new base prospectus for use in connection with any subsequent issue of Notes. If the terms of this Program are modified or amended in a manner which would make this Base Prospectus, as supplemented, inaccurate or misleading, a new base prospectus will be prepared.

If the terms of the Program are modified or amended in a manner which would make this Base Prospectus, as so modified or amended, inaccurate or misleading, a new prospectus or a supplement to this Base Prospectus will be prepared.

Any statement contained herein or in a document which is incorporated in whole or in part by reference herein shall be deemed to be modified or superseded for the purpose of the supplemental prospectus to the extent that a statement contained in any document which is incorporated in whole or in part by reference therein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

## FORWARD-LOOKING STATEMENTS

Certain statements in this Base Prospectus, including certain statements set forth under the headings "*Risk Factors*" and "*The Issuer*" are based on the beliefs of the management of the Issuer, as well as assumptions made by and information currently available to management of the Issuer, and such statements may constitute forward looking statements. These forward looking statements (other than statements of historical fact) regarding the Issuer's future results of operations, financial condition, cash flows, business strategy, plans and objectives of the Issuer's management for future operations can generally be identified by terminology such as "targets", "believes", "estimates", "expects", "aims", "intends", "plans", "seeks", "will", "may", "anticipates", "would", "could", "continues" or similar expressions or the negatives thereof.

Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Issuer, or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward looking statements. Such risks, uncertainties and other important factors include, among others: the ability to assess and manage credit risks; changes in the general economic conditions in The Netherlands, including the risk of a general downturn in the value of properties in The Netherlands; inflation, interest rates, exchange rates, and market and monetary fluctuations; changes in the quality of the Issuer's residential loan portfolio; changes in the Issuer's liquidity position or that of its counterparty; and regulatory developments affecting the Issuer.

Should one or more of these risks or uncertainties materialize, or should any underlying assumptions prove to be incorrect, the Issuer's actual financial condition or results of operations could differ materially from that described herein as anticipated, believed, estimated or expected. The Issuer urges investors to read the sections of this Base Prospectus entitled "*Risk Factors*" and "*The Issuer*" for a more complete discussion of the factors that could affect the Issuer's future performance and the industry in which the Issuer operates.

**The Issuer does not intend, and does not assume any obligation, to update any forward-looking statements contained herein, except as may be required by law. All subsequent written and oral forward looking statements attributable to the Issuer or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Base Prospectus.**

## **ENFORCEMENT OF CIVIL LIABILITIES; SERVICE OF PROCESS**

The Issuer is a company incorporated under the laws of The Netherlands. A substantial part of its assets are located outside the United States. In addition, substantially all of its officers and directors reside outside the United States and a substantial part of the assets of these persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or such persons or to enforce against any of them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States.

The Issuer has expressly submitted to the non-exclusive jurisdiction of New York State and United States federal courts sitting in New York City for the purpose of any suit, action or proceeding arising out of the Notes, and has appointed the New York Representative Office of ABN AMRO Bank N.V. at 565 Fifth Avenue, 25th Floor, New York, NY 10017, United States of America, as its designated agent in New York City, to accept service of process in any such action.

## EXCHANGE RATE AND CURRENCY INFORMATION

In this Base Prospectus, references to "U.S.\$", "U.S. dollars", "USD" or "\$" are references to the lawful currency of the United States, references to "euro", "Euro", "EUR" or "€" are references to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of May 3, 1998 on the introduction of the euro, as amended.

ABN AMRO publishes its financial statements in euros.

The following table sets out, for the periods indicated, certain information concerning the noon buying rate in New York City expressed in US Dollars per Euro by Bloomberg. These translations should not be construed as representations that the Euro amounts actually represent such US Dollar amounts or could be converted into US Dollars at the rate indicated. On 27 October 2011, the noon buying rate translated to EUR = US\$1.4184.

US Dollar to Euro exchange rates (US Dollars per Euro) for each of the most recent eight months:

	<u>At period end</u>	<u>Average rate</u>	<u>High</u>	<u>Low</u>
January 2011.....	1.3694	1.337405	1.3734	1.2907
February 2011.....	1.3806	1.366185	1.3829	1.3487
March 2011.....	1.4158	1.401891	1.4226	1.3777
April 2011.....	1.4807	1.447267	1.4822	1.4221
May 2011.....	1.4396	1.432541	1.483	1.4048
June 2011.....	1.4502	1.440077	1.4691	1.4181
July 2011.....	1.4398	1.429386	1.4539	1.3976
August 2011.....	1.4369	1.433883	1.4511	1.4092
September 2011.....	1.3387	1.375236	1.4259	1.3387

US Dollar to Euro exchange rates (US Dollars per Euro) for the past three years:

	<u>At period end</u>	<u>Average rate</u>	<u>High</u>	<u>Low</u>
31 December 2008.....	1.3971	1.471182	1.5991	1.2453
31 December 2009.....	1.4321	1.394848	1.5134	1.253
31 December 2010.....	1.3384	1.326639	1.4513	1.1923

Source: Bloomberg

ABN AMRO makes no representation that the amounts referred to above could have been or could be converted into the foregoing currencies at any particular rate or at all.

These rates are provided solely for the convenience of the reader and are not necessarily the rates used in the preparation of the Issuer's financial statements. No representation is made by the Issuer that the U.S. dollar amounts could have been converted into the euro at the rates shown or at any other rate for such periods or at such dates.

The currency information presented under this section entitled "Exchange Rate and Currency Information" is based on data published by Bloomberg, and such information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from such information, no facts have been omitted which would render the information inaccurate or misleading.



## **USE OF PROCEEDS**

The net proceeds from each issuance of Senior Notes will be used for the general corporate purposes of ABN AMRO. The net proceeds from each issuance of Subordinated Notes will be used to strengthen the capital base of ABN AMRO and/or to support the continuing growth of its business. If in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Term Sheet and/or Final Terms, as the case may be, together with the expenses of the issuance (if applicable).

## PRESENTATION OF FINANCIAL INFORMATION

Pursuant to Regulation 1606/2002/EC of the European Parliament and the Council of July 19, 2002 and related regulations, effective January 1, 2005, the Issuer has adopted International Financial Reporting Standards, as they have been endorsed by the European Commission ("**IFRS-EU**"). The reviewed financial statements for the six months ended June 30, 2011 and the audited financial statements for the years ended and as at December 31, 2010 and December 31, 2009 (including the auditors' report thereon and notes thereto) of ABN AMRO Group N.V., which in each case include corresponding figures as at and for the previous period, respectively, have been prepared in accordance with IFRS-EU (see "*The Issuer—ABN AMRO Bank N.V.—Operating and Financial Review—Presentation of Financial Information*"). The unaudited abbreviated financial statements of the Issuer for the year ended as at December 31, 2010, have been prepared by the Issuer in accordance with IFRS-EU.

IFRS differs in certain significant respects from generally accepted accounting principles in the United States ("**U.S. GAAP**"). No financial statements or financial information included herein have been prepared or presented in accordance with U.S. GAAP or the accounting rules and regulations adopted by the U.S. Securities and Exchange Commission ("**SEC Rules and Regulations**"). As a result, the financial information included herein may differ substantially from financial information prepared in accordance with U.S. GAAP and those rules and regulations. It is not practicable for the Issuer to prepare its financial statements in accordance with U.S. GAAP and the SEC Rules and Regulations or to prepare any reconciliation of its consolidated financial statements and related footnotes. In making an investment decision, investors must rely upon their own examination of the Issuer's financial position, operation and cash flows, the terms of the offering and the financial information presented herein. Potential investors are urged to consult their own professional advisors for an understanding of the differences between IFRS and U.S. GAAP, and of how those differences might affect the financial information presented herein.

Please refer to "*The Issuer—ABN AMRO Bank N.V.—Operating and Financial Review—Presentation of Financial Information*" for a more detailed discussion of the financial information included and incorporated by reference in this Base Prospectus.

The financial information set forth in a number of tables in this Base Prospectus has been rounded to the nearest whole number. Accordingly, in certain instances, the sum of the numbers in a column may not conform exactly to the total figure given for that column.

## THE ISSUER

### 1 ABN AMRO BANK N.V.

ABN AMRO is an all-round bank, servicing retail, private banking and commercial banking clients in The Netherlands and selectively abroad. ABN AMRO is also internationally active in a number of specialized activities such as Energy, Commodities & Transportation and Clearing and in private banking in a select number of countries.

On 30 June 2011, ABN AMRO had 492 branches in The Netherlands and employed 25,112 full time equivalents (excluding temporary staff) ("FTEs"). On 31 December 2010, ABN AMRO operated in 28 countries or territories abroad and served 6.8 million retail clients.

In the six months ended 30 June 2011, ABN AMRO generated reported net profit of EUR 864 million (underlying net profit EUR 974 million) (2010: reported loss of EUR 968 million, underlying net profit of EUR 325 million), had a reported cost-to-income ratio of 67% (underlying cost-to-income 63%) (2010: 119% reported, 75% underlying), assets under management of EUR 162.1 billion (as at 31 December 2010: EUR 164.2 billion), total assets of EUR 396.8 billion (as at 31 December 2010: EUR 377.3 billion), risk weighted assets of EUR 109.1 billion (as at 31 December 2010: EUR 116.3 billion) and a tier 1 ratio of 13.9% (as at 31 December 2010: 12.8%).

#### 1.1 History

The formation of ABN AMRO is the result of various legal and operational separation and integration activities arising from the acquisition of ABN AMRO Holding N.V. by the Consortium in October 2007. In October 2008, the Dutch State acquired Fortis Bank Nederland (Holding) N.V. ("FBN"). In December 2008, the Dutch State directly acquired FBN's interest in RFS Holdings B.V. This interest comprised Dutch commercial clients, (small and medium enterprises ("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 Standalone was formally separated from the Former ABN AMRO group and transferred to ABN AMRO Group N.V. by 1 April 2010. Concurrently with the separation of ABN AMRO Bank Standalone, FBN was separated from Fortis Bank SA/NV and, effective 1 July 2010, subsequently merged into ABN AMRO Bank Standalone to form the new ABN AMRO Bank N.V., a wholly-owned subsidiary of ABN AMRO Group N.V.

In order to satisfy the conditions imposed by the European Commission for approval of the merger and integration of ABN AMRO Bank Standalone and FBN, ABN AMRO Bank Standalone was required to satisfy certain conditions, including divesting part of its commercial banking business in The Netherlands, comprising the EC Remedy. The divestment was consummated on 1 April 2010 with the process of administrative and operational separation expected to be finalized by the end of 2012.

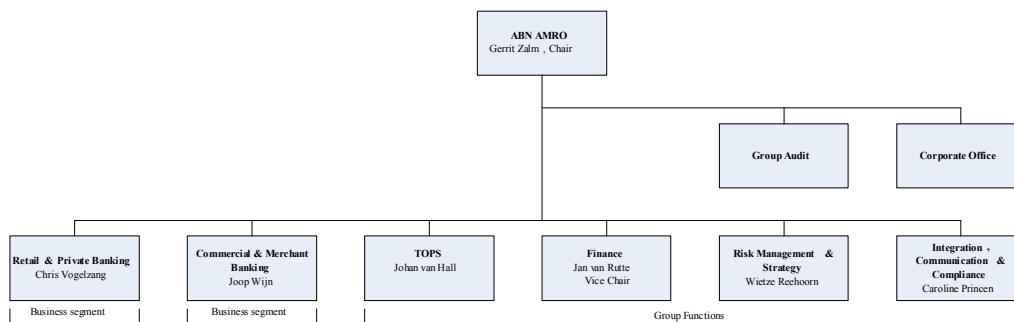
## 1.2 Operations

ABN AMRO is organized into two business segments and a support center:

The two business segments are Retail & Private Banking ("**R&PB**") and Commercial & Merchant Banking ("**C&MB**");

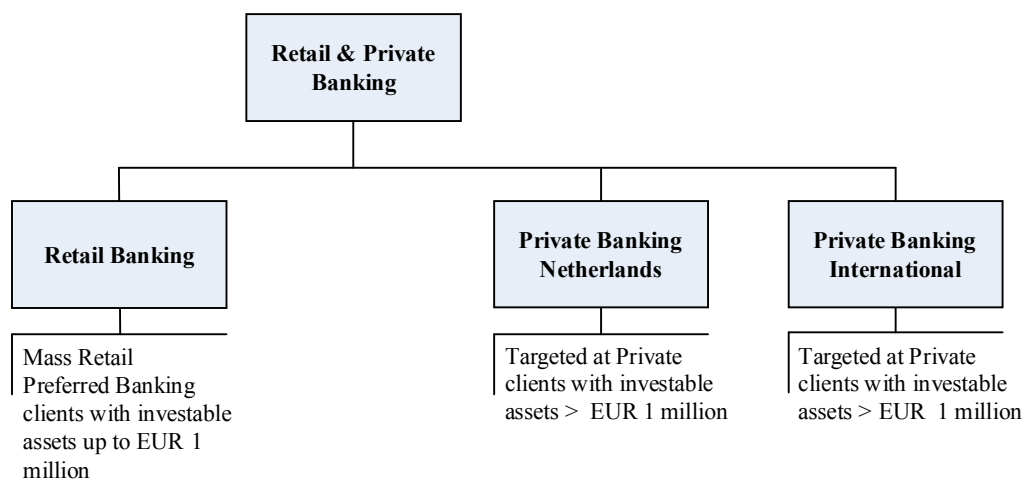
The support center is Group Functions, consisting of Technology, Operations & Property Services ("**TOPS**"), Finance, Risk Management & Strategy ("**RM&S**") and Integration, Communication & Compliance ("**ICC**").

The Chair of the Managing Board oversees the general management of ABN AMRO and is responsible for Group Audit and the Corporate Office, as shown in the diagram below:



## 1.3 Retail & Private Banking

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



Retail Banking serves Mass Retail and Preferred Banking clients (as defined below) and offers a wide variety of banking and insurance products and services through the branch network, online, via contact centers, via intermediaries and through subsidiaries. Preferred Banking is ABN AMRO's servicing concept for clients with a net monthly income exceeding EUR 5,000 or with EUR 50,000 to EUR 1 million in investable assets.

Private Banking provides total solutions to its clients' global wealth management needs and offers an array of products and services designed to address their individual needs. Private Banking operates as one private bank in terms of client service as well as product offering, and is the center of expertise for investment services, while Retail Banking acts as a knowledge center for savings and loans for both Retail Banking and Private Banking Netherlands. For managerial purposes Private Banking is organized into two entities: Private Banking Netherlands, operating under the brand name ABN AMRO MeesPierson, and Private Banking International, operating under the brand name ABN AMRO Private Banking and local brands such as Banque Neuflyze OBC in France and Delbrück Bethmann Maffei AG in Germany. The International Diamond & Jewelry Group, a global market player in offering financial services to the diamond and jewellery industry, is part of Private Banking International.

## **Retail Banking**

Retail Banking is an important retail bank in The Netherlands, serving approximately 6.8 million individuals (as at 31 December 2010).

### ***Clients***

Retail Banking serves two client segments with corresponding services based on income and assets.

### ***Mass Retail***

ABN AMRO serves approximately 6 million Mass Retail clients through a variety of channels, with branded propositions targeting specific groups (e.g., young professionals, students and children).

### ***Preferred Banking***

Preferred Banking is ABN AMRO's servicing concept for approximately 800,000 clients who have a net monthly income exceeding EUR 5,000 or EUR 50,000 – EUR 1 million in investable assets. Preferred Banking clients are assigned a relationship manager with in-depth expertise to cater to the clients' specific needs, have access to specialists (including investment managers and financial and estate planners) and enjoy exclusive services (such as special events and economic insights).

### ***Multi-channel distribution***

ABN AMRO offers its products, information and services via a multi-channel distribution network, including the branch network, the internet, four Advice & Service Centers that provide 24/7 telephone service, intermediaries and subsidiaries. The network of 492 branches (as at 30 June 2011) is spread across The Netherlands. Each branch offers broad expertise and advice on all of the bank's consumer products and services, while specialized advisors provide mortgage and investment advice. Clients visit branches less frequently each year, while direct channels are

becoming increasingly popular and efficient, one reason why the four Advice & Service Centers, for example, are expanding into full-service and advice centers.

Approximately 2.7 million clients use Internet Banking (as at 31 December 2010). To keep pace with rapid technological developments and to meet the demand for 24/7 service, ABN AMRO is focused on improving and innovating internet and mobile applications and has set up a 24/7 Webcare team that responds to comments and questions about ABN AMRO on the internet.

### ***Main subsidiaries***

The following subsidiaries<sup>1</sup> of ABN AMRO Bank related to Retail Banking are:

#### *Direktbank*

Direktbank N.V. ("**Direktbank**") sells mortgage loans and service products, including bank guarantees and removals loans, and works exclusively with independent mortgage advisors. Direktbank is the result of a merger between Direktbank and Fortis Hypotheekbank N.V. on 30 August 2010.

#### *ABN AMRO Hypotheken Groep*

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

#### *MoneYou*

MoneYou B.V. ("**MoneYou**") operates as an internet bank offering savings accounts to consumers and commercial clients and residential mortgage loans and consumer lending in The Netherlands.

#### *Alfam*

Alfam Holding N.V. ("**Alfam**") is ABN AMRO's competence center for consumer finance. As a financial processing unit, its function is to ensure accurate administration of consumer loans. Alfam sells consumer loans via intermediaries under three different labels: Alpha Credit Nederland, Credivance and Defam.

#### *International Card Services*

International Card Services B.V. ("**ICS**") is ABN AMRO's credit card specialist. ICS issues, promotes, manages and processes credit card transactions and offers other financial services, such as revolving credit facilities, insurance products and credit cards co-branding programs.

#### *ABN AMRO Verzekeringen*

Delta Lloyd ABN AMRO Verzekeringen Holding B.V. ("**ABN AMRO Verzekeringen**") is a joint venture founded in 2003 with Delta Lloyd in which ABN AMRO holds a 49% stake. ABN AMRO Verzekeringen offers life and non-life insurance products to consumers and commercial

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<sup>1</sup> Unless explicitly indicated otherwise, all subsidiaries are wholly-owned by ABN AMRO Bank.

clients under the ABN AMRO brand and is responsible for product development, procurement, operations, risk management and collections. ABN AMRO acts as an intermediary for ABN AMRO Verzekeringen by selling and providing advice on a broad range of life and non-life insurance products, for which ABN AMRO receives commission payments.

## **Private Banking**

ABN AMRO is an important market player in private banking in The Netherlands with a local presence in a select number of countries in Europe and Asia. Private banking activities are organized into two business lines: Private Banking Netherlands, operating under the brand name ABN AMRO MeesPierson; and Private Banking International, operating under the brands ABN AMRO Private Banking and local brands such as Banque Neuflyze OBC in France and Delbrück Bethmann Maffei AG in Germany.

## **Clients**

ABN AMRO offers private banking services targeted at clients with freely investable assets exceeding EUR 1 million (or USD 1 million in Asia). Service teams manage client relationships and provide independent advice supported by specialists. When desired, clients have direct access to these specialists.

ABN AMRO offers different service models according to client wealth bands:

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

Within these two main client groups, ABN AMRO offers a broad set of tailored services to suit the particular needs of its clients:

- **Family money** provides specific services tailored to the needs of families, including wealth transfer to the next generation;
- **Entrepreneurs and their enterprises** advises entrepreneurs and family businesses, where business and personal needs are often interlinked;
- **Charities and Institutions** offers dedicated expertise to foundations and charitable organisations.

Additional special client services are offered by the following teams:

- **Professionals and Executives team** (primarily in The Netherlands) serves executives in various fields including lawyers, accountants and consultants. Executive services target current and former board members of listed companies. These clients are presented with complexities in their personal finance because of the nature of their functions;
- **World Citizen Services team** provides tailor-made advice to Private Banking clients with international lifestyles, including structuring international assets, financing a home abroad and providing contacts for clients in the local market.

### *A total solutions approach*

Private Banking aims to provide a total solution for its clients' global wealth management needs. The bank offers an array of services and products, including independent and transparent advice on wealth planning, structuring, discretionary portfolio management and insurance solutions. An open architecture with access to a broad range of investment products and opportunities ensures that clients are offered a broad selection of products available, irrespective of the provider.

Private Banking maintains capabilities in nine key areas:

- Research & Strategy
- Discretionary Portfolio Management
- Investment Advisory
- Investment Funds
- Structured Products
- Treasury & Special Products
- Insurance
- Lending
- Wealth Structuring

The ABN AMRO Global Research & Strategy team ("**R&S**") is the cornerstone of ABN AMRO's investment advice service. R&S monitors worldwide market developments and generates regular macroeconomic views, market forecasts and research on all asset classes and instruments (except investment funds). These are all used for strategic and tactical asset allocation.

ABN AMRO offers investment funds, the majority of which are provided by third parties screened by ABN AMRO Advisors, ABN AMRO's fund-selection center of expertise ("**AA Advisors**").

Banque Neuflyze OBC (see Main subsidiaries) and the 50/50 joint venture of Triodos and ABN AMRO MeesPierson Sustainable Investment Management ("**Triodos MeesPierson**") offer investors sustainable investment opportunities. Triodos MeesPierson ensures that investments are executed based on sound financial and sustainability criteria and on Sustainalytics ratings.<sup>2</sup>

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<sup>2</sup> Sustainalytics is a specialised agency that rates over 2,000 companies based on their ecological, social and governance efforts by making use of a wide range of criteria that are weighted according to the sector in which a company operates.



### ***Main subsidiaries***

The following subsidiaries<sup>3</sup> of ABN AMRO Bank are related to Private Banking:

#### ***Banque Neuflyze OBC***

Banque Neuflyze OBC S.A. ("**Banque Neuflyze OBC**") is 99.9%-owned by ABN AMRO Bank. It operates 11 branches in major French cities. Banque Neuflyze OBC has developed a unique private banking model in France based on an integrated approach to private and commercial wealth while also offering specialist services such as art advisory. Banque Neuflyze OBC and its subsidiaries cover a range of other activities:

- ***Neuflyze OBC Investissements*** is a wholly-owned subsidiary of Banque Neuflyze OBC. It delivers local discretionary portfolio management as well as a range of open-ended funds covering various asset classes. Through AA Advisors, it offers multi-management solutions as well as fund selection.
- ***Neuflyze Private Assets*** is an asset manager specialising in US and European equities with a flexible and opportunistic approach.
- ***Neuflyze Vie*** is a life insurance company owned by Banque Neuflyze OBC (60%) and by AXA (40%). Neuflyze Vie was created to offer life insurance products for UHNW Individuals and has developed customized solutions with a focus on unit-linked contracts.

#### ***Delbrück Bethmann Maffei***

Delbrück Bethmann Maffei AG, a wholly-owned subsidiary of ABN AMRO Bank, offers all Private Banking and Private Wealth Management related services in Germany.

#### ***International Diamond & Jewelry Group***

International Diamond & Jewelry Group ("**ID&JG**") is a global market player in offering financial services to the diamond and jewellery industry.

ABN AMRO's clients in this area are commercial entities, often family-owned and active across multiple geographies. The diamond and jewellery industry requires global reach and innovative global trade services and financing solutions. ID&JG's core offering consists of lending and trade-finance based products.

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<sup>3</sup> Unless explicitly indicated otherwise, all subsidiaries are wholly-owned by ABN AMRO Bank.

ABN AMRO's client acceptance requirements adhere to the highest regulatory standards and clients are re-assessed yearly. Furthermore, ABN AMRO adheres to and applies the Kimberly Process Certification Scheme that was launched in 2002 by a unique coalition of governments, civil society and the diamond industry as an international initiative to eliminate the trade in conflict diamonds. ABN AMRO is also a founding member of the Responsible Jewellery Council, an international not-for-profit organisation established to reinforce consumer confidence in the jewellery industry by advancing responsible business practices throughout the diamond and gold jewellery supply chain.

#### 1.4 Commercial & Merchant Banking

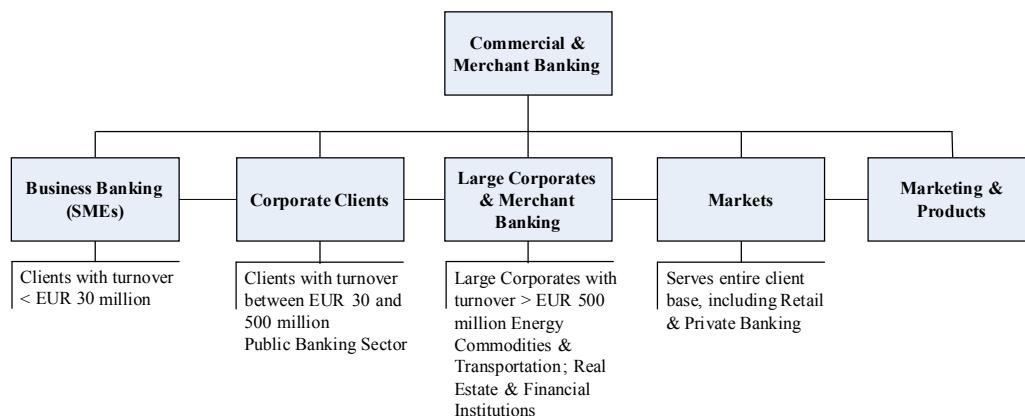
ABN AMRO is an important commercial and merchant bank in The Netherlands, offering customized financial advice and products to companies based in The Netherlands and their operations abroad. Commercial & Merchant Banking's ("C&MB") client base encompasses start-ups and the self-employed, small and medium-sized enterprises, and large corporates and financial institutions. In addition to its strong position in The Netherlands, ABN AMRO leads a number of global specialist markets with its Energy, Commodities & Transportation, ABN AMRO Clearing and collateralized finance businesses (factoring and lease in Western Europe).

ABN AMRO clients have access to a nationwide network in The Netherlands and a network of offices in Western Europe and in the major financial and logistics centers worldwide. C&MB has a presence in three time zones across the major financial centers.

C&MB is organized into four business lines:

- Business Banking (SMEs)
- Corporate Clients
- Large Corporates & Merchant Banking
- Markets

These business lines are supported by the Marketing & Products division in activities such as marketing, strategy, communications, product management and sector advisory.



## **Business Banking**

Business Banking offers small and medium-sized businesses with turnover up to EUR 30 million a broad range of standard and customized products covering cash management and payment services, debt solutions and treasury and insurance products. Financial advice is based on in-depth knowledge of the sectors in which clients operate and a solid understanding of the clients' business.

The service model is tailored to the company's size and needs:

- ABN AMRO offers small companies YourBusiness Banking, allowing clients to conduct their banking activities through multiple channels: online via Internet Banking, by telephone with an advisor, or in person at a branch counter or with a local specialist.
- ABN AMRO assigns medium-sized businesses a dedicated relationship manager who advises on financial matters based on in-depth knowledge of the client's business and market and is supported by specialists who, for example, offer advice on insurance, payments, finance and treasury.

Business Banking has a nationwide network of 78 business offices (as at 31 December 2010), though clients may also use any of the retail branches in The Netherlands for their day-to-day banking needs. Additional services are provided by dedicated Client Support Units. ABN AMRO's growing international network supports clients in their cross-border operations.

## **Corporate Clients**

Corporate Clients serves companies with turnover between EUR 30 and 500 million as well as clients in the public sector.

Corporate Clients are served from five dedicated units, each providing a full range of services as well as offering in-depth sector expertise and knowledge of market developments. Each corporate client is assigned a dedicated Client Team, consisting of a relationship manager and a (shared) team of specialists in various product areas. Clients also have access to a Client Support Unit for their day-to-day banking matters.

Corporate Clients focuses its growth on the following sectors: Agrifood, Retail, Building & Construction, Manufacturing & Capital Goods, Transport & Logistics, Business Services, Trade & Commodity Finance and Public Banking (i.e., government bodies, health care organisations and housing corporations).

Corporate Clients is selectively expanding its network abroad to meet the needs of its Dutch clients who have international activities. In some countries, agreements with partner banks have been concluded to provide clients with local service in countries where ABN AMRO does not have its own operations. In addition, ABN AMRO provides collateralized finance servicing, including factoring and lease products.

## **Large Corporates & Merchant Banking ("LC&MB")**

### ***Clients***

LC&MB provides financial services to Netherlands-based corporates, financial institutions and investors in the real estate sector as well as international companies active in energy, commodities and transportation.

### ***Large Corporates***

Large Corporates has offices in Amsterdam and Rotterdam and provides strategic relationship management to clients based in The Netherlands with turnover exceeding EUR 500 million. Large Corporate clients are served by sector coverage teams, which are supported by product teams and credit specialists.

### ***Energy, Commodities & Transportation ("ECT")***

ECT clients are internationally active mid-sized to large corporate clients active in Energy (oil and gas industry and offshore services), Commodities (commodity trading companies active in energy, agricultural and metals commodities) and Transportation (shipping industry and intermodal transportation). The portfolio is spread across sectors, rating categories and geographies, enabling ECT to avoid credit concentrations and create portfolio resilience through the cycle.

### ***Financial Institutions***

LC&MB has a dedicated financial institutions team (the "**Financial Institutions Group**") serving domestic Dutch and international banks, pension funds, asset managers and insurance companies. The Financial Institutions Group advises clients on regulatory developments, mergers and acquisitions, equity capital market and debt capital markets activities.

### ***Real Estate Finance***

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

### ***Products***

LC&MB offers a full array of banking services and products. ***Cash & Liquidity Management*** includes a range of cash management products and services to businesses seeking to optimize working capital and the financial supply chain. ***Debt Solutions*** offers products such as Acquisition & Leveraged Finance, Loan Syndications, Global Export & Project Finance, Debt Capital Markets, Structured Finance and Capital Structuring & Advisory. ***Corporate Finance & Capital Markets*** advises targets, bidders and (selling) shareholders on mergers and acquisitions and, on the capital markets side, helps clients to raise equity either through private placements, initial public offerings or primary or secondary offerings. ***Private Equity*** invests in companies active in the food, retail, media, industrial goods and services, automotive, technical wholesale, medical equipment and transport sectors. The focus is on mid-market management buyouts, expansion capital and restructurings for companies based in The Netherlands.

As one of its co-founders, ABN AMRO has adopted the Equator Principles. The Equator Principles are a credit risk management framework for determining, assessing and managing environmental and social risk in project finance transactions. Each project financed by the bank is categorized according to its environmental and social risks.

## **Markets**

The Markets division serves a broad client base, ranging from corporates and financial institutions to retail and private banking clients. Its product portfolio includes foreign exchange, rates, bonds, equities, derivatives and structured products.

Markets offers its clients online services such as ABN AMRO DealStation, allowing execution of foreign exchange and money-markets transactions. In The Netherlands, Markets has sales and trading activities in Amsterdam and Treasury Desks in five locations. Outside The Netherlands, Markets has sales and trading activities in Singapore, Hong Kong, London and New York.

In addition, Markets has two global business lines, Securities Borrowing and Lending and ABN AMRO Clearing.

### *Securities Borrowing and Lending*

ABN AMRO is a large global player in the securities borrowing and lending market. ABN AMRO acts as an intermediary for market participants to provide liquidity in equity and fixed income instruments through, inter alia, securities lending and repo transactions. The Securities Borrowing and Lending business also provides access to secured funding for ABN AMRO.

### *ABN AMRO Clearing*

ABN AMRO Clearing Bank N.V. ("**ABN AMRO Clearing**"), a subsidiary of ABN AMRO Bank, is recognized as a global player in derivatives and equity clearing and 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. ABN AMRO Clearing operates from 12 locations across the globe and offers an integrated package of direct market access, clearing and custody services covering futures, options, equity, commodities, energy and fixed income.

The ABN AMRO Clearing operating model is, where possible, completely self-supporting and operationally independent from the rest of ABN AMRO due to the nature of business, where speed and responsiveness are critical and regulators and clients expect separation of clearing activities from the general banking activities. ABN AMRO clearing operations are undertaken out of ABN AMRO Clearing, which has a banking licence and is regulated and supervised by DNB.

## **Other subsidiaries**

The following subsidiaries of ABN AMRO Bank are related to C&MB:

### *ABN AMRO Lease*

ABN AMRO Lease N.V. ("**ABN AMRO Lease**") (formerly Amstel Lease) is an equipment lease company and delivers lease contracts worldwide to C&MB clients. Contracts are offered through the ABN AMRO Lease network from offices in The Netherlands, Belgium, Germany and the United Kingdom and through ABN AMRO's branch network.

### *ABN AMRO Commercial Finance activities*

ABN AMRO provides factoring services to its clients as well as to clients from other distribution channels through ABN AMRO Commercial Finance B.V. ("**ACF**"), Fortis Commercial Finance Holding N.V. ("**FCF**") and under the Venture Finance label in the United Kingdom. ABN AMRO is active in several countries in Europe and in Hong Kong.

On 10 June 2011, ABN AMRO reached agreement with BNP Paribas Fortis on the sale of the non-Dutch activities of FCF's factoring activities. The sale completed on 3 October 2011. The Dutch part of FCF will remain with ABN AMRO and be integrated into ACF.

The name of the Dutch part of FCF will be changed to ABN AMRO Commercial Finance and its activities brought in line with the other activities of ACF. Management expects that the sale will enable ACF to reinforce its focus on The Netherlands, Germany, France and the United Kingdom.

ABN AMRO and BNP Paribas Fortis have entered into an agreement to enable continued services to clients present in multiple jurisdictions.

### *ABN AMRO Groenbank*

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

## **1.5 Group Functions**

Group Functions supports ABN AMRO's businesses by delivering services in the areas of Finance, Risk Management & Strategy ("**RM&S**"), Integration, Communication & Compliance ("**ICC**") and Technology, Operations & Property Services ("**TOPS**") through a global shared services organisation.

Group Audit reports to the Chair of the Managing Board, and the head of Group Audit has a direct information line to the Chair of the Audit Committee. Group Audit also acts as the third line of defence (see "The Issuer—Risk Management").

The Company Secretary, appointed by the Managing and Supervisory Boards, holds an independent position under the direct supervision of the Chair of both the Managing and Supervisory Boards. The Company Secretary also acts as Chief Corporate Governance Officer.

### **Technology, Operations & Property Services ("**TOPS**")**

TOPS coordinates the integration of the entire bank and is responsible for all relocations of businesses, subsequent re-use of rental buildings and future business development.

ABN AMRO's IT department utilizes outsourcing and offshoring of IT development, maintenance and infrastructure services as a key element of its operating model.

TOPS manages the supplier selection process and the related negotiations and contracting procedure, ensuring competitive market rates and helping the businesses to devise their own procurement strategies.

TOPS protects ABN AMRO against financial losses caused by internal and external criminal activities and abuse of the financial system. This includes providing and validating information with regard to client acceptance, client due diligence and money laundering.

In keeping with ABN AMRO's sustainability strategy, TOPS invests in lower energy consumption at the data centers, which are responsible for a large portion of the bank's energy use. The bank is involved with FIRA, a new sustainability knowledge broker in The Netherlands, co-founded by ABN AMRO, which validates corporate sustainability claims and reviews their internal processes. This information is used in selecting suppliers and developing joint plans to improve sustainability performance.

## **Finance**

Finance is the primary supplier of management and reporting information to ABN AMRO's businesses and to external stakeholders. Finance plays an independent role in delivering management information and challenging business decisions. It provides a strong financial control environment and ensures compliance with accounting standards and requirements set by the regulatory authorities.

Finance includes Asset & Liability Management/Treasury ("**ALM/T**"), which also has a reporting line to RM&S (as defined below). ALM/T is responsible for managing the level of capital, interest rate risk (banking book) and liquidity available to ABN AMRO and runs the Treasury function.

## **Risk Management & Strategy**

ABN AMRO's risk management function operates under the three lines of defence risk management model, as described in "The Issuer—Risk Management".

Risk Management, the Economics Department and Strategy (including Corporate Development and Investor Relations) have been combined into one organisation, Risk Management & Strategy ("**RM&S**"). RM&S is closely aligned with ALM/T to ensure that ABN AMRO's risk appetite is in line with the bank's corporate strategy and capital position, taking into consideration the economic outlook.

## **Integration, Communication & Compliance**

The primary responsibility of Integration, Communication & Compliance ("**ICC**") is to help ABN AMRO's businesses put their clients center stage. ICC consists of Change & Integration, Communications & Branding, Compliance, Human Resources, Legal and Sustainability.

ABN AMRO faces the challenge of transforming the bank in line with the new business strategy, company values and people strategy. The focus for the coming years will be on creating a new corporate culture (promotion of the new company values: Trusted, Professional and Ambitious) and on promoting client-oriented behaviour.

ABN AMRO's Compliance function provides independent oversight on behalf of the Managing Board with respect to policies, procedures and core processes to ensure ABN AMRO conforms with industry-specific laws and regulations both in letter and in spirit. The Legal department provides legal support to the organisation while maintaining oversight of ABN AMRO's legal risks and preserving ABN AMRO's reputation. The Sustainability department formulates the bank's sustainability strategy and ensures that sustainability is embedded in the bank's business practices. ABN AMRO Foundation runs social projects and coordinates integration activities in a wider social context, primarily by organising volunteer work for staff.

## **1.6 Regulation**

### **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 Financial Supervision Act which came into effect on 1 January 2007. The Financial Supervision Act has replaced, amongst others, the Act on the Supervision of the Credit System 1992 without affecting the existing supervisory system. The Financial Supervision Act 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).

ABN AMRO Bank is a "universal bank" under the terms of the Financial Supervision Act because it is engaged in the banking business as well as the securities business. Some of the provisions of the Financial Supervision Act may restrict a bank's ability to make capital contributions or loans to subsidiaries and to make distributions.

On 13 January 2010, DNB granted a banking license to ABN AMRO Bank for engaging in universal banking business in The Netherlands.

#### ***Prudential Supervision***

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

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



### ***Conduct of business supervision***

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

### ***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 on Banking Supervision (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 and replacing the Capital Adequacy Directive, 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 2008. The process of implementing Basel II into Dutch legislation (through the Financial Supervision Act) 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, in the new regulation, 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*

As from 1 January 2008, all banks under Dutch law are obliged to apply the Basel II rules to report their capital requirements to DNB. The Former ABN AMRO group, including the businesses now included in ABN AMRO was granted a waiver from this requirement by DNB until the end of 2009, due to the sale of the Former ABN AMRO group to the Consortium. In 2009 the Former ABN AMRO group reported according to the Basel I regime, whereas its business was managed as if it were Basel II compliant.

ABN AMRO has implemented the Advanced Internal Ratings Approach for credit and operational risk and the Standardized Approach for market risk as defined by the Capital Requirements Directive and Dutch law, and is currently using these approaches in managing its business. ABN AMRO undertakes regular assessments of its internal capital requirements based on a quantification of the material risks to which it is exposed. This assessment includes the use of stress tests to assess whether ABN AMRO's capital resources are adequate to remain above minimum requirements during specified scenarios. The results of this internal capital assessment are reviewed by the Policy & Portfolio Risk Committee and the Asset and Liability Committee ("**ALCO**") and are used to ensure the adequacy of available capital resources, based on target and minimum capital requirements as set in the risk appetite framework.

The solvency rules for Basel II required ABN AMRO to maintain a minimum level of total capital to support the risk-weighted total value of balance sheet assets and off-balance sheet items. These off-balance sheet items included guarantees; documentary credits; the credit equivalent of interest- and currency-related contracts; unused portions of committed credit facilities with an original maturity of over one year; note issuance facilities and revolving underwriting facilities; and the market risk for financial instruments in the trading book. This minimum level of total capital is called the "capital adequacy ratio". The risk weighting considers the debtor's risk, which depends on factors including the debtor's classification, whether or not security is provided, and the country of origin of the debtor.

### *CRD*

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

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

### *CRD II*

The first modifying directive, CRD II, was adopted in 2009, and the changes became effective in The Netherlands in December 2010. CRD II included changes regarding the classification of hybrid capital instruments, the introduction of a retention requirement for own securitisations, new requirements for liquidity risk management, and technical changes of the credit risk requirement. The impact on the capital position is an increase in risk weighted assets of less than

EUR 100 million mainly due to the technical changes to the credit risk requirement. The impact on the capital ratios is insignificant.

### *CRD III*

The second modifying directive, CRD III, was adopted by the European Union on 14 December 2010. CRD III includes changes to remuneration rules, increased capital requirements for the trading book, increased capital requirements for re-securitisation (securitisations that have underlying securitisation positions), enhanced disclosure of securitisation exposures and other technical amendments. The rules will enter into force on 31 December 2011, except for the extension of the Basel I floor, which allowed banks which calculated capital requirements prior to 1 January 2010 under less sophisticated approaches to continue to do so subject to certain conditions, extension of the Downturn-LGD floor for trading book capital requirements (effective 31 December 2010) and the remuneration rules (effective 1 January 2011). The impact on ABN AMRO's capital position is expected to be limited.

### *Basel III/CRD IV/FSB-G20*

In December 2009, the Basel Committee made reform proposals to the Basel framework for capital and funding standards ("**Basel III**"). ABN AMRO participated in the Quantitative Impact Study organized by the Basel Committee in the first half of 2010. The final Basel III requirements were published in December 2010. The final changes are expected to be introduced into legislation in 2011 in the third modifying directive, CRD IV. Their implementation is expected to be phased in over a period of at least five years as of the end of 2012.

The proposed minimum requirements do not include possible surcharges for systemically important financial institutions.

Under the new rules, the risk weighted assets are expected to increase, mainly due to an increase in the capital requirement for the treatment of mark-to-market counterparty risk losses (CVA capital charge).

The full impact of Basel III depends on the release of the final rules and their interpretation into European and national laws. Several uncertainties still exist regarding the treatment of the counter-cyclical buffer and the requirements for systemically important financial institutions within The Netherlands. ABN AMRO expects to be classified as a significantly important financial institution.

### *Basel III*

The Basel Committee has proposed a number of reforms to the regulatory capital framework for internationally active banks, the principal elements of which are 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**").

The Basel III Final Recommendations state that, subject to the next paragraph below, the terms and conditions of all non-common equity Tier 1 and Tier 2 instruments must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into ordinary shares upon the occurrence of a specified trigger event (a "**Non-Viability Event**"). A Non-Viability Event will be the earlier of (a) a decision that a write-off, without

which the relevant bank would become non-viable, is necessary as determined by the relevant authority; and (b) the decision to make a public sector injection of capital, without which the relevant bank would become non-viable, as determined by the relevant authority.

The Basel III Final Recommendations also state that it is not necessary to include in the contractual terms of the instruments a specific provision for write-off or conversion of such instrument upon a Non-Viability Event occurring if (i) the governing jurisdiction of the bank has in place laws that (aa) require such instruments to be written off or converted upon the occurrence of such trigger event, or (bb) otherwise require such instrument to fully absorb losses before tax payers are exposed to loss; (ii) a peer group review confirms that the jurisdiction so conforms; and (iii) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under (aa) above.

The proposed date of implementation of the Basel III Final Recommendations is 1 January 2013. However, there can be no assurance that, prior to the proposed implementation of the Basel III Final Recommendations, the Basel Committee will not amend the Basel III Final Recommendations. Further, the European Union and/or authorities in The Netherlands may implement the Basel III Final Recommendations in a manner that is different from that which is currently envisaged or may impose more onerous requirements on Dutch banks.

If implemented in The Netherlands in its current form, the Basel III Final Recommendations will result in an increase of the minimum common equity (or equivalent) requirement from 2% (before the application of regulatory adjustments) to 4% (after the application of stricter regulatory adjustments). The total Tier 1 capital requirement will increase from 4% to 6%. In addition, banks will be required to maintain, in the form of common equity (or equivalent), a capital conservation buffer of 2.5% to withstand future periods of stress, bringing the total common equity (or equivalent) requirements to 7%. If there is excess credit growth in any given country resulting in a system-wide build up of risk, a countercyclical buffer within a range of 0% to 2.5% of common equity (or other fully loss absorbing capital) is to be applied as an extension of the conservation buffer. In addition, a leverage ratio will be introduced. This ratio is intended to reinforce the risk based requirements with a simple, non-risk based "backstop" measure as well as constrain the build-up of leverage in the banking sector. It restricts the absolute level of indebtedness which a bank may take on, regardless of how much risk is incurred. The proposed leverage ratio expresses equity as a percentage of total assets, which may not fall below 3% effective 2018. The basis of calculation is the average of the monthly leverage ratio over the quarter based on the Basel Committee's definitions of capital (the capital measure) and total exposure (the exposure measure) as specified in the Basel III Final Recommendations.

Furthermore, a liquidity coverage ratio and a net stable funding ratio are proposed. The liquidity coverage ratio is intended to promote resilience to potential liquidity stress scenarios lasting for a 30-day period. The net stable funding ratio is intended to limit over reliance on short-term wholesale funding and has been developed to provide a sustainable maturity structure of assets and liabilities.

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

Tier 2 debt (and its possible conversion into ordinary shares) if a bank becomes non-viable. In July 2011 the Basel Committee published a consultative document setting out a methodology for identifying global systemically important financial institutions with a view to the Financial Stability Board and national authorities determining by mid-to-late 2011 those institutions to which the recommendations for global systemically important financial institutions will initially apply. In addition, the aforementioned consultative document includes a study of how much additional loss absorbency capacity global systemically important financial institutions should have and how much of such capacity could be provided by the various proposed instruments (which according to the Basel Committee in its consultative document should be only Common Equity Tier 1 to meet the minimum proposed global additional loss absorbency requirements).

The changes to capital adequacy and liquidity requirements in the jurisdictions in which ABN AMRO operates described above or any future changes may also require ABN AMRO to raise additional regulatory capital. If ABN AMRO is unable to raise the requisite regulatory capital, it may be required to further reduce the amount of its risk-weighted assets and engage in the disposition of core and other non-core businesses, which may not occur on a timely basis or achieve prices which would otherwise be attractive to ABN AMRO.

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

#### *The Dutch Proposal/Resolution Framework*

On 4 March 2011, the Dutch Ministry of Finance commenced a consultation process in relation to newly proposed banking legislation dealing with banks in need of external support (the "**Dutch Proposal**"). The Dutch Proposal was preceded by a consultation launched by the European Commission on 6 January 2011 on a comprehensive framework for dealing with banks in need of external support (the "**EU Proposal**") which contains a number of legislative proposals similar to the Dutch proposal. Under the Dutch Proposal, substantial new powers would be granted to DNB and the Dutch Minister of Finance enabling them to deal with, *inter alia*, ailing Dutch banks prior to insolvency. The Dutch Proposal aims to empower DNB or the Minister of Finance, as applicable, to commence proceedings leading to: (i) transfer of all or part of the business (including deposits) of the relevant bank to a private sector purchaser; (ii) transfer of all or part of the business of the relevant bank to a "bridge bank"; and (iii) public ownership (nationalization) of the relevant bank. Subject to certain exceptions, as soon as any of these proposed proceedings have been initiated by DNB or the Minister of Finance, as applicable, the relevant counterparties of such bank would not be entitled to invoke events of default or set off their claims against the bank.

The EU Proposal includes a discussion of possible proposals to give regulators resolution powers to write down debt of a failing bank (or to convert such debt into equity) to strengthen its financial position and allow it to continue as a going concern subject to appropriate restructuring. The working document states that it is not envisaged to apply any measures ultimately adopted in this area to any debt currently in issue.

### *European Commission proposals*

On 20 July 2011 the European Commission has brought forward proposals to translate Basel III in European legislation. These proposals will require European banks to increase the amount of own funds as well as the quality of those funds to make sure the funds can absorb losses. Banks will also have to manage their cash flow to ensure they have sufficient reliable liquidity available in both the short term and the longer term. Furthermore, European banks will need to respect limits on the amount of assets they can hold compared to their capital. Finally, European banks will have to maintain more capital if they trade in complex financial products.

The EC has indicated that the standards it has proposed need to fit with existing EU (and national) laws or arrangements. Furthermore, while the Basel III standards apply to internationally active banks, in the EU they always applied to (and will continue to apply to) banks as well as investment firms.

In addition to the implementation of Basel III in the European Union, the EC proposals provide a number of important changes to the banking regulatory framework. The 20 July 2011 press release of the EC states that the EC wishes to set up a new governance framework allowing supervisors new powers to monitor banks closer and take action through possible sanctions when they spot risks and if EU rules are breached.

Furthermore, by combining all legislation applicable on this matter, the EC proposes to have a single rule book for banking regulation. This will improve both transparency and enforcement.

The EC proposal contains two parts: a directive and a regulation. Both legal instruments form a package and should be considered together. The EC has indicated that these proposed new rules should be in place by the end of 2012.

### ***Exposure supervision***

DNB has issued specific rules with respect to large exposures to a single borrower or group of interconnected borrowers, or in relation to certain other businesses that involve a concentration of risk. Large exposures generally include all assets and off-balance sheet items of a credit institution with respect to a single borrower or group of interconnected borrowers which exceed 10% of a credit institution's total capital. Large exposures must be reported once every quarter to DNB. There is a limit of 25% of total capital for a single large exposure as part of the banking book. Trading book positions may exceed this limit subject to additional solvency requirements. The aggregate amount of all large exposures of a credit institution may not exceed 800% of its total capital.

### *Liquidity supervision*

Banks are required to report on a consolidated level on their liquidity position to DNB monthly, on the basis of the liquidity supervision directive. The liquidity supervision directive seeks to ensure that banks are in a position to cope with an acute short term liquidity shortage under the assumption that banks would remain solvent. In principle, DNB liquidity supervision covers all direct domestic and foreign establishments (subsidiaries/branches), including majority participations. The regulatory report also takes into consideration the liquidity effects of derivatives and the potential drawings under committed facilities.

The directive places emphasis on the short term in testing a bank's liquidity position over a period of up to one month with a separate test of the liquidity position in the first week. For observation purposes, several additional maturity bands are included in the liquidity report (one to three months, three to six months, six months to one year and beyond one year).

Available liquidity must always exceed required liquidity. Available liquidity and required liquidity are calculated by applying weighting factors to the relevant on- and off-balance sheet items, i.e. irrevocable commitments. The liquidity test includes all currencies. Compliance reports concerning liquidity requirements of foreign subsidiaries are submitted to the appropriate foreign regulatory authorities as required. At a consolidated level, and in every country in which ABN AMRO operates, it adheres to the liquidity standards imposed by the applicable regulatory authorities.

As a result of the current market instability DNB has required more frequent liquidity information from the banks with a shorter maturity bands. Reports containing liquidity information are submitted on a weekly basis.

#### *EBA stress test*

See "The Issuer—ABN AMRO Bank N.V.—Trend Information and Recent Developments—Recent Developments—EBA Stress Test".

#### ***Structural supervision***

Pursuant to the Financial Supervision Act, anyone is prohibited to hold, acquire or increase a qualifying holding or exercise any control relating to a qualifying holding in a bank in The Netherlands, except if it has obtained a Declaration of No Objection ("**DNO**") from DNB. Qualifying holding means a participation of at least 10% in the issued share capital of the related voting rights or similar influence. The DNO would be issued unless: (i) the financial stability of the applicant is not guaranteed, (ii) the management of the applicant is not trustworthy, (iii) the persons performing the day to day management of the bank do not have the required expertise, (iv) the bank, as a consequence of the qualifying holding, can no longer meet the prudential requirements or (v) there are good reasons to assume that in connection with the proposed acquisition money is laundered or terrorism will be financed. These grounds for refusal are in accordance with the Acquisitions Directive (Directive 2007/44/EC), which restricted the grounds upon which European regulatory authorities could refuse applications for DNOs.

Further a bank needs a DNO if, subject to meeting certain thresholds (i) it acquires a qualifying holding in a financial or non-financial institution, (ii) it proposes to go through a financial or corporate reorganisation or perform a merger, (iii) it acquires the assets and liabilities of another company in whole or in part or (iv) it proposes to decrease its regulatory capital. According to Dutch regulation a DNO will be issued regarding a qualifying holding by a bank in a non-financial institution if the value of the equity participation would not exceed 15% of a bank's regulatory capital and if the participation would not cause the value of ABN AMRO's aggregate qualifying holdings in non-financial institutions to exceed 60% of its regulatory capital. Certain types of participations will be approved in principle, although in certain circumstances a DNO will have a limited period of validity, such as in the case of a debt rescheduling or rescue operation or when the participation is acquired and held as part of an issue underwriting operation. Generally the approval will be given where the value of the non-financial institution concerned or the value of the participation does not exceed certain threshold amounts.

### ***Supervision of the securities and investment businesses***

ABN AMRO is also subject to supervision of its activities in the securities business. The Financial Supervision Act, which has replaced the Act on the Supervision of the Securities Trade 1995 together with the decrees and regulations promulgated thereunder, provides a comprehensive framework for the conduct of securities trading in or from The Netherlands. The AFM is charged by the Dutch Minister of Finance with supervision of the securities industry.

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

The Financial Services Action Plan 1999-2005 has laid the foundations for a single financial market in the EU and has brought about many changes. In its strategy on Financial Services for 2005-2010, the European Commission sets out its objectives to achieve an integrated, and competitive EU financial market by removing any remaining barriers, especially in the retail area so that financial services can be provided and capital can circulate freely throughout the EU at the lowest possible cost, resulting in high levels of financial stability, consumer benefits and consumer protection.

The financial services sector includes three major areas for which European regulatory policies apply: banking, capital markets and asset management.

### **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.

#### **1.7 Litigation 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 "—Trend Information and Recent Developments—Trend Information". However, on the basis of information currently available, and having taken legal counsel with advisors, ABN AMRO is of the opinion that it is not, nor has it been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which ABN AMRO or the Issuer is aware) during the 12 months preceding the date of this Base Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of ABN AMRO, the Issuer and/or its subsidiaries.

#### **1.8 Trend Information and Recent Developments**

##### **Trend Information**

##### ***Conversion of Mandatory Convertible Securities***

On 7 December 2007, FBNH (which was legally succeeded by ABN AMRO Bank N.V. on 1 July 2010), Fortis Bank SA/NV, Fortis SA/NV (renamed "ageas SA/NV") and Fortis N.V. (renamed "ageas N.V.") issued EUR 2 billion of Mandatory Convertible Securities ("MCS"). The MCS matured on 7 December 2010 and converted into shares issued by Ageas pursuant to the



applicable terms and conditions. Coupons on the securities were payable semi-annually, in arrears, at a rate of 8.75% annually. On 7 December 2010, the final semiannual coupon was paid.

Prior to the issuance of the MCS, the four co-issuers entered into a Four Party Agreement, which describes the former intercompany obligations of the different parties with regard to the MCS. This includes – in ambiguous language - the contractual obligation for FBNH to issue to Fortis SA/NV and Fortis N.V an undetermined number of shares in its ordinary capital in consideration for the issue of shares by the latter parties to the holders of the securities upon conversion of the MCS. According to Ageas, the aforesaid contractual obligation has become enforceable due to the conversion of the MCS on 7 December 2010.

On 3 October 2008 the Dutch State acquired a controlling interest in FBNH. The Dutch State is of the opinion that the terms and conditions of the Term Sheet of 3 October 2008 includes a full and final release of the obligations, if any, of FBNH (and therefore also of ABN AMRO Bank as its legal successor) under the Four Party Agreement. In addition, the Dutch State argues that the issue of shares to Ageas would not be consistent with the clear objective of the parties to the Term Sheet to transfer 100% ownership of FBNH to the Dutch State.

On 3 December 2010, the Dutch State lodged an attachment on the purported claim of Ageas under the Four Party Agreement. As evidenced by the attachment, the Dutch State strongly contests Ageas' position on the purported claim.

On 28 December 2010, Ageas initiated court proceedings in The Netherlands in which Ageas has claimed from ABN AMRO Group N.V. and ABN AMRO Bank ordinary shares with a value of EUR 2 billion. Alternatively, Ageas has claimed monetary damages in the amount of EUR 2 billion. The Dutch State has joined the court proceedings as a party.

Since Ageas and the Dutch State have a different opinion whether the 3 October 2008 transaction included a full and final release of Ageas' purported claim, ABN AMRO Group N.V. and ABN AMRO Bank will contest in court the claim of Ageas. Moreover, since the wording of the Four Party Agreement fails to unambiguously support (the value of) Ageas' purported claim, both ABN AMRO entities have adopted alternative defences under which the purported claim of Ageas, if upheld, could be satisfied by the issue of either (i) one ordinary share to each of ageas SA/NV and ageas N.V. to perfect the contemplated conversion of the MCS into equity, or (ii) the issue of ordinary shares to Ageas up to a value equal to the market value of the shares issued by Ageas upon conversion (approx EUR 200 million). ABN AMRO Group N.V. and ABN AMRO Bank strongly contest the purported obligation to pay Ageas any compensation in cash.

Given the complexity of this matter, it is impossible for ABN AMRO to predict the outcome of the pending court case, although the risk that the purported claim, if upheld, would be awarded in cash is in any event deemed small. For the same reason it is impossible to determine the fair value of this liability in a reliable way.

The liability under the Four Party Agreement does not qualify for derecognition from ABN AMRO's balance sheet under IFRS.

Until it is certain that ABN AMRO is legally released from the obligations, if any, under the Four Party Agreement as part of the agreements in respect of this transaction, derecognition of the liability from the balance sheet as a result of extinguishment of aforementioned obligations is not permitted by IFRS.

Under IFRS these obligations are required to be classified as a liability instead of equity since the number of shares to be issued by ABN AMRO Group N.V. and ABN AMRO Bank, if any, for conversion of the liability is unclear as the contract does not stipulate a fixed amount of shares to be delivered. In accordance with IFRS requirements the liability has therefore been retained in the balance sheet as at 31 December 2010.

### ***Redemption of preference shares***

The ABN AMRO Capital Finance Ltd preference shares were issued in 1999. ABN AMRO Capital Finance Ltd is a wholly-owned subsidiary of ABN AMRO Bank. On 1 January 2010, and following the cash settlement of 29 June 2009, a number of 87,489 of remaining class A1 preference shares were outstanding with a total nominal value of EUR 87,489,000.

On July 1 2010, the class A1 preference shares were reclassified from Tier 1 to Tier 2 capital. On 16 August 2010 an announcement was made to call for redemption of all remaining outstanding class A1 preference shares on the dividend payment date of 29 September 2010. The redemption was completed accordingly.

Ageas initiated legal proceedings against ABN AMRO Capital Finance Ltd, ABN AMRO Bank and the Dutch State claiming EUR 363 million compensation which Ageas was liable for on the cash settlement date. These proceedings are pending. In an initial summary hearing on 25 June 2009 the court ruled in favour of all claims against Ageas. ABN AMRO Capital Finance Ltd and ABN AMRO Bank continue to hold the opinion that Ageas is not entitled to any compensation.

### ***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 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 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 such 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's 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's potential liability, if any. ABN AMRO is continuing to investigate and implement strategies for recovering the losses suffered. A total amount of EUR 16 million (exclusive of costs) was recovered in the first half of 2009. ABN AMRO continues to take all reasonable steps to mitigate any further negative effects from the Madoff fraud and a further €52 million was recovered in the first half of 2011.

## **Recent Developments**

### ***European Commission State Aid Investigation***

On 5 April 2011 the EC approved the support package and restructuring plan for ABN AMRO, subject to certain conditions. As reported by ABN AMRO on 6 April 2011, 20 May 2011 and 26 August 2011, these conditions include:

- a ban on acquisitions, not applicable to certain activities such as private equity. However ABN AMRO may make acquisitions if the total gross cumulative purchase price (excluding the assumption or transfer of debt in relation to such acquisitions) paid by ABN AMRO for all such acquisitions during a period of three years starting 5 April 2011 is less than EUR 0-600 million. In June 2011, ABN AMRO decided to appeal the EC's decision on this matter;
- a continuation of the price leadership restrictions (retail deposits and mortgage loans) imposed in 2010;
- a ban on advertising State ownership;
- offering Private Banking clients in The Netherlands the possibility of transferring their investment portfolios to another bank free of charge during a period of two months, starting at the end of July 2011;
- ABN AMRO shall not pay investors any coupon on existing core Tier 1, Tier 1 and Tier 2 capital instruments (including preference shares) or exercise any call option rights in relation to the same instruments until 10 March 2013 inclusive, unless there is a legal obligation to do so; and
- a dividend payment on the ordinary shares is allowed if the dividend payment exceeds EUR 100 million. Any dividend payment will oblige ABN AMRO to pay coupons on securities containing a dividend pusher such as the outstanding Tier 1 and Tier 2 instruments. ABN AMRO has since paid an interim dividend of EUR 200 million on the ordinary shares.

Most measures are applicable for the duration of three years starting 5 April 2011.

The EC has concluded that no further restructuring is needed and ABN AMRO would receive recapitalization aid between EUR 4.2 billion and EUR 5.45 billion. This aid does not need to be repaid.

### ***EBA stress test***

ABN AMRO announced on 15 July 2011 that it remained substantially above the stress test threshold of 5% Core Tier 1 ratio as defined by the European Banking Authority ("**EBA**"). The assumptions and methodology were established to assess banks' capital adequacy against a 5% Core Tier 1 capital benchmark as defined by EBA. The purpose of the test was to restore confidence in the resilience of the banks tested. The adverse stress test scenario was set by the European Central Bank (the "**ECB**") and covered a two-year time horizon (2011-2012). The stress test was carried out using a static balance sheet assumption as at December 2010. The stress test did not take into account future business strategies and management actions and was not a

forecast of ABN AMRO profits. Under the adverse scenario, the estimated consolidated Core Tier 1 capital ratio of ABN AMRO as defined by EBA would have been 9.2% in 2012, compared with 9.9% at year-end 2010.

### ***Sovereign and sovereign-guaranteed exposures (Greece)***

ABN AMRO's Greek position consists of loans to and notes issued by state-owned corporates, which have been guaranteed by the Greek government. As of the date of this Drawdown Prospectus all financial obligations have been met. A new legislative framework has been adopted in Greece that would allow for possible restructuring of certain state-owned corporates and their debt. However, the implementation of these laws requires additional implementation measures and approval from several government ministries. To date, these have not been executed nor approved. Furthermore, ABN AMRO has identified legal constraints on the implementation of these laws and is currently assessing the potential consequences in the event the restructuring would be implemented, as this may have an impact on its Greek government-guaranteed exposures.

It is not clear yet (i) if and when implementation will take place; (ii) what the situation in general, and for the bank more specific, will be after this potential implementation, and therefore it is also still unclear (iii) which possible actions the bank can take to preserve its rights after implementation. ABN AMRO understands that certain Greek notes issued by Greek state-owned corporates and held by ABN AMRO are considered eligible by the Public Debt Management Agency of the Greek Ministry of Finance under the EU Private Sector Involvement Program as announced on 21 July 2011 (and amended on 27 October 2011). ABN AMRO disputes any such eligibility, however, at this point, this is still unclear and further investigation is pending. Accordingly, ABN AMRO is considering the legal and accounting implications of such eligibility.

See "The Issuer—Risk Management—Risk Taxonomy—Credit Risk—Sovereign and Sovereign Guaranteed Exposures" for details on ABN AMRO's Greek and other sovereign exposures.

### ***Sale of Swiss Private Banking activities***

ABN AMRO announced on 16 August 2011 it had reached an agreement with Union Bancaire Privée, UBP SA, on the sale of its Swiss Private Banking activities. Following a strategic review ABN AMRO decided to focus its Private Banking activities on strengthening its top 3 position in the Eurozone and to accelerate its growth in Asian markets. As a consequence, ABN AMRO decided to divest its Private Banking activities in Switzerland.

ABN AMRO's Swiss Private Banking activities serve clients from around 100 different countries with assets of approximately EUR 11 billion with around 350 employees in 4 locations. The sale is expected to result in a book gain. The planned sale is subject to certain conditions being met, including approval by the relevant regulatory and merger control authorities. Final closing is expected in the fourth quarter of 2011.

### ***Sale of non-Dutch activities of Fortis Commercial Finance***

ABN AMRO announced on 3 October 2011 that it had completed the sale of the non-Dutch activities of Fortis Commercial Finance ("FCF"). On 10 June 2011, ABN AMRO reached agreement with BNP Paribas Fortis on the sale of the non-Dutch activities of factoring company

Fortis Commercial Finance, subject to the satisfaction of closing conditions which were satisfied on 3 October 2011.

## 2 MAIN SHAREHOLDER, GROUP AND CONTROL

### 2.1 Shareholder

ABN AMRO Group N.V. is ABN AMRO Bank's sole shareholder. Following the Legal Merger, ABN AMRO Bank is the only direct subsidiary of ABN AMRO Group N.V. and ABN AMRO Group N.V. has no significant activities other than holding the shares in ABN AMRO Bank. The managing board and the supervisory board of ABN AMRO Group N.V. are composed of the same members as ABN AMRO Bank. See "The Issuer—Management and Governance".

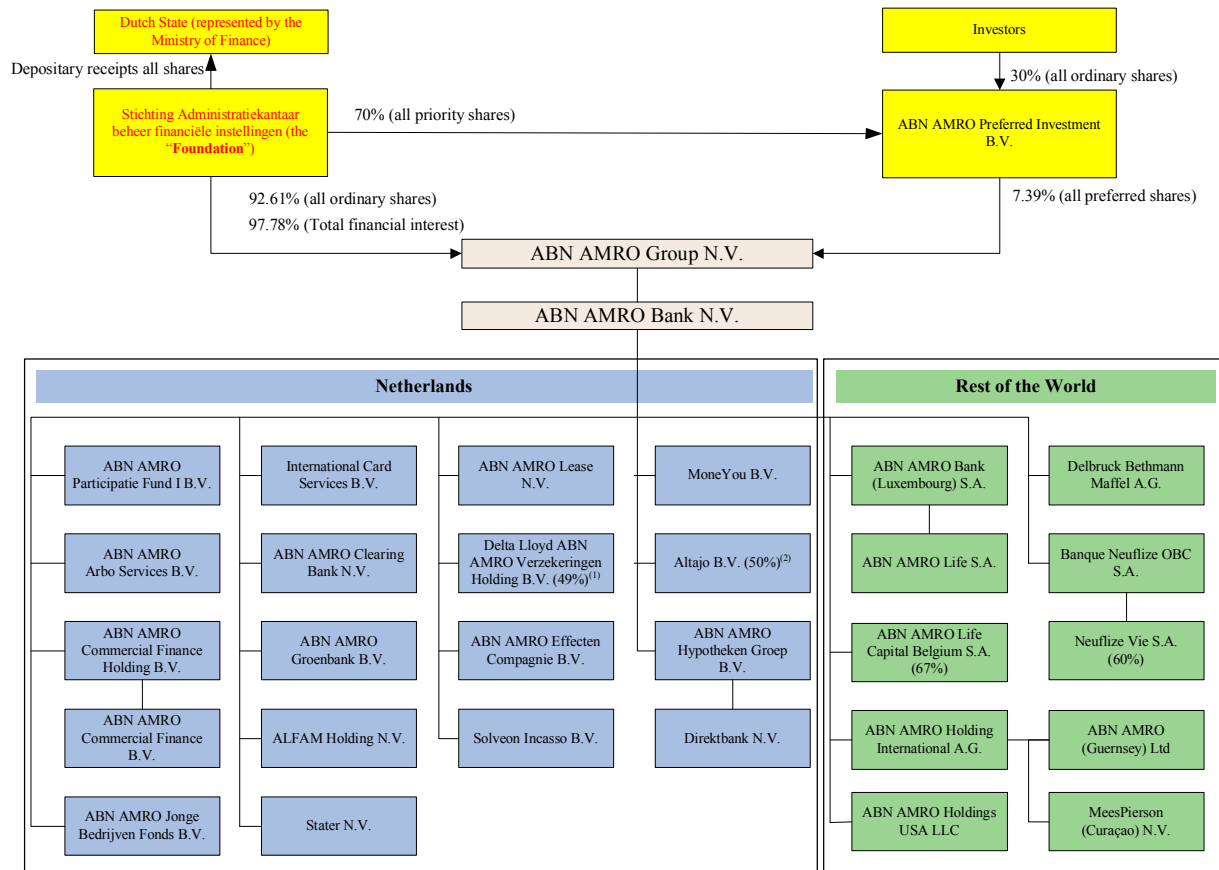
As of the date of this Base Prospectus, the shareholders of ABN AMRO Group N.V. are the *stichting administratiekantoor beheer financiële instellingen* (the "**Foundation**") and ABN AMRO Preferred Investment B.V. The Foundation holds all issued ordinary shares and ABN AMRO Preferred Investment B.V. holds all class A non-cumulative preference shares. The Foundation controls ABN AMRO Preferred Investment B.V. with 70% of the votes via shares with priority rights. The Foundation controls 97.8% of the combined voting power in ABN AMRO, as described in "—Control" below.

### 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 system of corporate governance consisting of a Supervisory Board and a Managing Board. As noted above and in "The Issuer—Management and Governance", ABN AMRO Group N.V. and ABN AMRO Bank share the same Managing Board, Supervisory Board and committees of the Managing Board and Supervisory Board.

## 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 Base Prospectus:



Unless otherwise stated, the ABN AMRO Bank's interest is 100% or almost 100%

- (1) Joint Venture (49%) with Delta Lloyd.  
 (2) Joint Venture (50%) with Rabobank.

## 2.4 Control

Until 29 September 2011, the Dutch State had direct control over ABN AMRO, however, the Dutch State was not involved in the day-to-day management of ABN AMRO. On 29 September 2011, direct control was transferred to the Foundation, as described below. The Dutch State has announced that it does not expect to dispose of its interest in ABN AMRO before 2014. While it retains all options, the Dutch State has indicated that it favors an initial public offering.

On 29 September 2011 the Dutch State transferred its ordinary shares in ABN AMRO Group N.V. and its priority shares in ABN AMRO Preferred Investment B.V. to the Foundation. The Foundation was set up as a means against potential conflicting responsibilities which the Minister of Finance may face. This concerns, on the one hand, the responsibility as a shareholder in ABN AMRO Group N.V. and, on the other hand, the responsibility for formulating policy for the financial markets as a whole. The Foundation is also meant to represent an additional buffer against inappropriate political influence towards the financial institutions concerned, thereby avoiding a situation in which changing political views encumber ABN AMRO's operations.

The Foundation issued exchangeable depositary receipts for shares in return for acquiring and holding, in its own name, the ordinary shares held by the Dutch State in ABN AMRO Group N.V. and the priority shares held by the Dutch State in ABN AMRO Preferred Investment B.V. In addition, the Foundation will be responsible for managing those ordinary and priority shares and exercising all rights associated with such shares, including voting rights.

The depositary receipts for the ordinary and priority shares will be issued without the cooperation of ABN AMRO Group N.V. (in respect of the ordinary shares) or ABN AMRO Preferred Investment B.V. (in respect of the priority shares). As a matter of Dutch law, the Dutch State, as the holder of the depositary receipts for the ordinary and priority shares, will not have certain statutory rights applicable had the depositary receipts been issued with the cooperation of the relevant issuer of the underlying shares, 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. However, in anticipation of the exit of the Dutch State as a shareholder, exchangeability of the depositary receipts into ordinary and/or priority shares (as applicable) has been provided for.

The Minister of Finance will remain responsible for selling the ordinary and priority shares held by the Foundation. The Foundation's objects therefore exclude disposing of and encumbering the ordinary and priority shares, except pursuant to authorisation from the Minister of Finance. One of the Foundation's objects is to advise the Minister of Finance on the Dutch State's sale of the ordinary and priority shares (the "exit strategy"). Furthermore, the Foundation can be authorized by the Dutch State to execute the exit strategy on its behalf.

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

## **2.5 403 Statement**

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

The 403 Declaration is part of the Dutch company law provisions designed to enable subsidiaries of parent companies which publish consolidated annual accounts to obtain an exemption from the requirements to separately publish their own annual accounts. One of the conditions for obtaining such exemption is that a 403 Declaration is issued by the parent company and deposited with the



Commercial Register of the Chamber of Commerce in the place where the subsidiary is established. The statutory provisions relating to 403 Declarations are contained in Article 2:403 and following of the Dutch Civil Code.

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

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

The authorized share capital of ABN AMRO Group N.V. amounts to EUR 4.0 billion as at 30 June 2011, divided into 3,750 million ordinary shares of EUR 1 each, 240 million class A non-cumulative preference shares of EUR 1 each, 100 million ordinary class B shares of EUR 0.01 each and 900 million of class B preference shares of EUR 0.01 each.

As of 30 June 2011, the issued and outstanding share capital is EUR 1,015 million divided into 940 million ordinary shares of EUR 1 each and 75 million class A non-cumulative preference shares of EUR 1 each.

On 29 September 2011, the Dutch State transferred its holdings in ABN AMRO Group N.V. and ABN AMRO Preferred Investment B.V. to the Foundation.

ABN AMRO Bank's authorized capital amounts to EUR 2.0 billion and is divided into 2,000 million ordinary shares of EUR 1 each. The issued and paid capital amounts to EUR 800 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-tiered system of corporate governance consisting of a Supervisory Board and a Managing Board. ABN AMRO Group N.V. and ABN AMRO Bank share the same Managing Board and Supervisory Board and committees of the Managing Board and Supervisory Board.

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

##### Responsibilities of the Supervisory Board

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

As a result of the "mitigated structure regime", which is applied voluntarily by ABN AMRO, members of the Supervisory Board are appointed by the General Meeting of Shareholders following nomination by the Supervisory Board. A nomination may be rejected by the General Meeting of Shareholders by a special majority. Supervisory Board members are appointed for a term of four years and may be reappointed after that term. Members of the Supervisory Board may serve a maximum term of twelve years.

The General Meeting of Shareholders and the Works Council have the right to recommend candidates for nomination. With respect to one-third of the members of the Supervisory Board, the Supervisory Board must place a candidate recommended by the Works Council on the nomination, unless it objects to the recommendation. If the Supervisory Board's objection to the recommendation is well founded, the Works Council will nominate a new candidate.

## Composition of the Supervisory Board

The following persons are appointed as members of the Supervisory Board, together with an indication of their principal activities performed by them outside of ABN AMRO:

<u>Name</u>	<u>Principal activities performed by them outside ABN AMRO which are significant with respect to ABN AMRO</u>
Hessel Lindenbergh, <i>Chair</i> .....	<p>Chair of Supervisory Board, Bank voor de Bouwnijverheid N.V. (Bank for Construction Industry)</p> <p>Chair of Supervisory Board, Agendia B.V.</p> <p>Chair of Board, Centraal Fonds Volkshuisvesting (Central Housing Fund)</p> <p>Member of Supervisory Board, Ortec Finance B.V.</p> <p>Member of Supervisory Board, Gamma Holding N.V.</p> <p>Member of Supervisory Board, Zeeman Groep N.V.</p> <p>Member of Supervisory Board, DHV Holding N.V.</p> <p>Member of Supervisory Board, Docters Pension Funds Services B.V.</p> <p>Member Board of Trustees, University of Amsterdam</p> <p>Member of Board, Stichting Bescherming (Foundation to safeguard the interests of the public company), TNT, Vopak N.V., Stichting Preferente Aandelen (Foundation Preferred Shares), Wolters Kluwer N.V.</p>
Rik van Slingelandt, <i>Vice-Chair</i> .....	<p>Supervisory Director, Kahn Scheepvaart B.V.</p> <p>Advisor, Redeveco B.V.</p> <p>Member of Board, Stichting Neijenburg</p> <p>Chair, Save the Children Fund Nederland</p>
Hans de Haan.....	<p>Member of Board, Stichting (Foundation) Trustee Achmea Hypotheekbank</p> <p>Trustee in the bankruptcy of Van der Hoop Bankiers N.V.</p>
Steven ten Have.....	<p>Professor of Strategy and Change at Vrije Universiteit Amsterdam and partner at Ten Have Change Management</p> <p>Chair of Supervisory Board, Cito B.V.</p> <p>Chair of Supervisory Board, Amsterdam Football Club Ajax N.V.</p> <p>Vice-Chair of Supervisory Board, Stichting Cito Instituut voor Toetsontwikkeling (Cito Institute for Educational Testing Development)</p> <p>Chair, Postgraduate study in Change Management, Vrije Universiteit, Amsterdam</p> <p>Member, Committee for Social Innovation, Ministry of Economic Affairs</p> <p>Member of Board, Stichting Instituut Nederlandse Kwaliteit</p>

	(Institute for Netherlands Quality)
	Member, Redactieraad (Editorial Committee) Management & Consulting
Bert Meerstadt .....	Chair of Board, Nederlandse Spoorwegen N.V. (Dutch Railways)
	Member of Supervisory Board, Lucas Bols
	Chair of Marketing Advisory Board Rijksmuseum
	Chair of Board, Friends of Concertgebouw and Royal Concertgebouw orchestra
	Chair of Society for Prevention and Salvation of Drowning Victims
	Chair of Board Blinden-Penning Foundation for the Blind and Visually Impaired
Marjan Oudeman.....	Member of the Executive Committee of AkzoNobel N.V.
	Member of Supervisory Board, Nederlandse Spoorwegen N.V. (Dutch Railways)
	Member of Board of Directors, Concertgebouw Foundation
	Governor of the National 4 and 5 May Foundation
Annemieke Roobeek .....	Professor of Strategy and Transformation Management at Universiteit Nyenrode and Director and Owner of MeetingMoreMinds and Open Dialogue B.V.
	Chair of Netherlands Center for Science and Technology (NCWT) and NEMO – Science Center, Amsterdam
	Chair of INSID, Foundation for sustainability and innovation realization directed by his Royal Highness Prince Carlos de Bourbon Parma
	Member of Supervisory Board, RAI Amsterdam Exhibition Centers
	Member of Supervisory Board, Solvay Pharmaceuticals
	Member of VROM-Council, responsible for a future outlook on Urbanism and Sustainability
	Chair of the governmental RLI Committee on the Transition towards Renewable Energy
	Member of Board, Foundation of the Medical Center of the Vrije Universiteit, Amsterdam
Peter Wakkie.....	Partner at law firm Spinath & Wakkie B.V.
	Vice-Chair of Supervisory Board, Wolters Kluwer N.V.
	Member of Supervisory Board, TomTom N.V.
	Member of Supervisory Board, BCD Holdings N.V.
	Member of Board, Association for Corporate Litigation
	Member of Board, VEUO

\* 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 Supervisory Board is also member of the Supervisory Board of ABN AMRO Group N.V.

## **Activities of the Supervisory Board**

The Supervisory Board of ABN AMRO has three committees:

### ***Audit Committee***

The Audit Committee monitors the effectiveness of ABN AMRO's internal risk management and control systems, and provides assistance to the Supervisory Board in assessing financial disclosures. The committee consists of Hans de Haan (Chair), Hessel Lindenbergh, Bert Meerstadt and Rik van Slingelandt.

### ***Remuneration, Selection and Nomination Committee***

The Remuneration, Selection and Nomination Committee prepares the selection, nomination, re-nomination and succession of the members of the Supervisory and Managing Boards. The committee periodically assesses the performance of the members of both boards, defines the principles governing Managing Board remuneration and decides compensation and fringe benefits, pensions and any other relevant schemes. The committee consists of Peter Wakkie (Chair), Steven ten Have, Hessel Lindenbergh and Marjan Oudeman.

### ***Risk and Capital Committee***

The Risk and Capital Committee is in charge of the annual approval of ABN AMRO's risk appetite; the periodical assessment of its strategy; the regular review of its risk profile; the assessment of its risk management functions; the testing of its risk framework, including organisational structure and decision-making; and the review of decisions that materially affect ABN AMRO's capital allocation, liquidity and/or its risk profile. The committee consists of Rik van Slingelandt (Chair), Hans de Haan, Hessel Lindenbergh, Annemieke Roobeek and Peter Wakkie.

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

### **Responsibilities of the Managing Board**

The members of the Managing Board of ABN AMRO are collectively responsible for managing the bank and are responsible for its strategy, structure and performance. The members are appointed by the General Meeting of Shareholders. The Supervisory Board will nominate one or more candidates for each vacant seat. If the candidate nominated by the Supervisory Board is not appointed, the Supervisory Board will be asked to nominate a new candidate. If the new candidate is also not appointed, then the General Meeting of Shareholders will be free to appoint a candidate of their choice.

In carrying out their duties, the members of the Managing Board are guided by the interests and continuity of ABN AMRO and its businesses. The Managing Board carefully considers the

interests of all of ABN AMRO's stakeholders, such as its clients and employees, its shareholders and society at large. The Managing Board is accountable for the performance of its duties to the Supervisory Board and the General Meeting of Shareholders. The Managing Board has installed a number of committees that are responsible for decision-making on certain subjects and advising the full Board on relevant matters.

### Composition of the Managing Board

The following seven persons have been appointed for terms of four years to the Managing Board:

<u>Name</u>	<u>Date appointed to Managing Board of ABN AMRO Group N.V.:</u>	<u>Principal activities performed by them outside ABN AMRO which are significant with respect to ABN AMRO *</u>
Gerrit Zalm, <i>Chair</i> .....	1 April 2010	None
Jan van Rutte, <i>Vice-Chair &amp; CFO</i> .....	18 December 2009	None
Johan van Hall, <i>Chief Operating Officer</i> .....	18 December 2009	None
Caroline Princen, <i>Integration, Communication &amp; Compliance</i> .....	1 April 2010	None
Wietze Reehoor, <i>Chief Risk Officer &amp; Strategy</i> .....	1 April 2010	None
Chris Vogelzang, <i>Retail &amp; Private Banking</i> .....	1 April 2010	None
Joop Wijn, <i>Commercial &amp; Merchant Banking</i> .....	1 April 2010	None

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

### 3.3 Conflict of interest and address information

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

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

### 3.4 Corporate governance codes

Good corporate governance is critical to ABN AMRO's ability to realize its strategic goal of creating sustainable long-term value for all its stakeholders, including clients, shareholders, employees and society at large. ABN AMRO believes that corporate governance codes that meet high international standards significantly boost confidence in Dutch companies and that application of these codes by financial institutions is crucial to restoring trust in the financial sector as a whole.

In order to achieve effective corporate governance, ABN AMRO has organized the company in a way that promotes first-class stewardship by the Managing Board and effective supervision by the Supervisory Board. Integrity, transparency and accountability are key elements of ABN AMRO's corporate governance, as they are in ABN AMRO's business as a whole. These key elements ensure that the controls and oversight necessary for effective risk management, proper compliance with regulations, and accurate and complete disclosure of information to the market are in place and functioning well.

Although ABN AMRO – as a non-listed company – is not required to adhere to the Dutch Corporate Governance Code, it continues to place importance on a transparent governance structure and substantially adheres to the Dutch Corporate Governance Code and observes the relevant principles and best practice provisions of the Dutch Corporate Governance Code, with the exception of certain principles and best practice provisions, which are explained in ABN AMRO Group N.V.'s Annual Financial Statements 2010.

The Dutch Banking Code came into effect on 1 January 2010 and sets out principles that banks with a banking license issued by DNB should observe in terms of corporate governance, risk management, audit and remuneration. ABN AMRO Group N.V. does not have a banking licence. The Dutch Banking Code applies to ABN AMRO Bank, which is the main entity that holds a banking licence. Information on other subsidiaries of ABN AMRO Group which hold banking licences is provided in ABN AMRO Group N.V.'s Annual Financial Statements 2010.

ABN AMRO is deeply committed to complying with the Banking Code and devotes a great deal of effort to ensuring that the spirit of the code is reflected in the behavior of employees and in the culture of the bank.

## 4 OPERATING AND FINANCIAL REVIEW

*The following discussion and analysis of ABN AMRO's results of operations and financial condition relates to ABN AMRO Group N.V.'s Annual Financial Statements 2010 and Interim Financial Statements 2011 (together the "Consolidated Financial Statements"). This should be read, subject to the cautionary statements noted in "Risk Factors", in conjunction with the Consolidated Financial Statements and the related notes and other financial information included elsewhere in this Base Prospectus.*

*The reported figures have been impacted by several items which are related to the demerger of ABN AMRO Bank from RBS N.V. and the separation of FBN from Fortis Bank SA/NV and the integration of ABN AMRO Bank and FBN. For a better understanding of underlying trends, the results of operations of ABN AMRO have been adjusted for these items where indicated. The analysis in this Operating and Financial Review is based on the underlying results where indicated. Reconciliation of the reported and underlying results is presented where relevant.*

*The reported results for the year ended and as at 31 December 2010 and 2009 included in this Operating and Financial Review have been audited. The reported results for the six month period ended and as at 30 June 2011 and as at 31 December 2010 (where extracted from the Interim Financial Statements 2011 as indicated) have been reviewed. Underlying results and reconciling items, where included, have been extracted from management accounts and have neither been audited or reviewed (as applicable) by the independent auditors.*

*Certain line items extracted from ABN AMRO's condensed consolidated statement of financial position as at 31 December 2010 included in the Interim Financial Statements 2011 and included in the discussion below have been subject to further refinement of accounting harmonization, leading to netting adjustments and reclassifications of these line items in the consolidated statement of financial position as at 31 December 2010 contained in the Annual Financial Statements 2010. This further refinement has occurred subsequent to 31 December 2010 and is applied retrospectively as at 31 December 2010 in the discussion below and in the Interim Financial Statements 2011, as explained further below under "The Issuer—Operating and Financial Review—Presentation of Financial Information—Harmonization of accounting policies". This refinement does not have an impact on the income statement of ABN AMRO. Corresponding adjustments have not been made to the consolidated statement of financial position as at 31 December 2009.*

### 4.1 Presentation of Financial Information

#### Consolidated Financial Statements

The different steps leading to the creation of ABN AMRO have been accounted for in the Consolidated Financial Statements as described below and were applied for the first time in the Annual Financial Statements 2010.

The combination of ABN AMRO Group N.V. and ABN AMRO Bank is regarded as a continuation of the financial history of the Dutch State-acquired businesses of the former ABN AMRO Bank N.V., hence ABN AMRO Group N.V. applied the pooling of interest method. As a result, the Consolidated Financial Statements include the results of ABN AMRO Bank for the full annual period ended 31 December 2010, as if the combination of ABN AMRO Group N.V. and



ABN AMRO Bank has existed in its current form as from 1 January 2010. Comparative information has been included for 2009 in the Annual Financial Statements 2010.

The acquisition of FBN by ABN AMRO Group N.V. has been accounted for using the pooling of interest method of accounting, since the acquisition qualifies as a common control transaction. Therefore, the Consolidated Financial Statements include the financial results of FBN for the full year ended 31 December 2010, as if the two banks have been together as of 1 January 2010. Comparative information has been included for 2009 in the Annual Financial Statements 2010.

For the reasons described above, the combination of ABN AMRO Group N.V. and ABN AMRO Bank and the subsequent acquisition by ABN AMRO Group N.V. of FBN have been accounted for without application of IFRS 3 "Business Combinations". As a result, the assets, liabilities and contingent liabilities of ABN AMRO Bank and FBN have been recognized by ABN AMRO Group N.V. at their existing book values on the date of acquisition and no goodwill has been recognized by ABN AMRO Group N.V.

A common set of accounting policies and principles has been defined for ABN AMRO. To that end, the accounting policies and principles of ABN AMRO Bank and FBN have been harmonized. The cumulative adjustment as a result of a change in accounting policies for one of the two banks has been adjusted in the opening equity as at 1 January 2009. An overview of the effect of the accounting policy harmonization is summarized below.

To align with the classification of line items as defined for ABN AMRO, certain line items of ABN AMRO Bank and FBN have been reclassified. The Consolidated Financial Statements are prepared in accordance with IFRS on a mixed model valuation basis as follows:

- fair value is used for: derivative financial instruments, financial assets and liabilities held for trading or designated as measured at fair value through income and available-for-sale financial assets;
- other financial assets (including "loans and receivables") and liabilities are valued at amortized cost less any impairment if applicable;
- the carrying value of assets and liabilities measured at amortized cost included in a fair value hedge relationship is adjusted with respect to fair value changes resulting from the hedged risk; and
- non-financial assets and liabilities are generally stated at historical cost.

The Consolidated Financial Statements are presented in euros, which is the functional currency of ABN AMRO, rounded to the nearest million (unless stated otherwise).

### **Harmonization of accounting policies**

The accounting policies used to prepare the Consolidated Financial Statements are consistent with those applied by ABN AMRO Bank and FBN in their consolidated financial statements for the year ended 2009 except for the harmonization of accounting policies as described below.

The harmonization of accounting policies of ABN AMRO Bank and FBN entailed alignment of choices given within IFRS as well as the practical application of accounting policies. The

harmonization primarily related to accounting for the determination of loan loss impairments, credit valuation adjustments and joint ventures.

To determine the amounts of loan loss impairments ABN AMRO took into account the impact of discounting expected recoveries of collateral and other cash flows whereas FBN did not. The approaches have been aligned and it has been decided to adopt the ABN AMRO approach going forward.

Both banks calculate Credit Valuation Adjustments ("CVA"), mainly counterparty risk related to interest rate derivatives, but the policy is implemented differently. The main difference relates to the determination of the estimated credit risk. FBN used a Basel II oriented approach (probability of default loss given default) whereas ABN AMRO Bank used a Risk Adjusted Return On Capital ("RAROC") credit margin. It has been decided to use the ABN AMRO approach going forward.

The provision for incurred but not identified losses ("IBNI") is also harmonized for the loss identification period, the cure rate and the risk portfolios it applies to. The FBN method will be used going forward.

In anticipation of Exposure Draft 9, the consolidation of joint ventures has been harmonized to equity accounted investments. Given ABN AMRO Bank's proportionally consolidated joint ventures in the past, the presentation in the statement of financial position and income statement has been adjusted. There is no impact on equity as a result of this adjustment.

Furthermore, there have been alignments in the classifications of certain items in the income statement, such as the classification of commitment fees, expenses for external staff and elements of trading income. These alignments do not have any impact on ABN AMRO's equity.

As stated above, the pooling of interest method has been used. Consequently, ABN AMRO Group N.V. as a newly established entity determined its accounting policies from the start and there is no difference between accounting policy changes and changes in accounting estimate. All accounting policies were therefore harmonized as from 1 January 2009, the first date presented in ABN AMRO Group N.V.'s Annual Report 2010.

The table below shows the result on impact on the equity of the merged entity:

<b>(in millions of euros)</b>	<b>31 December 2009</b>	<b>1 January 2009</b>
Fortis Bank (Nederland)	4,721	3,019
ABN AMRO Bank	4,277	7,044
<b>Total</b>	<b>8,998</b>	<b>10,063</b>
Harmonization adjustments equity	(21)	-
Harmonization adjustments income statement	(22)	-
<b>Harmonized equity</b>	<b>8,955</b>	<b>10,063</b>

The harmonization impact as from 1 January 2009 was minor, therefore no harmonization adjustments were recorded as from this date in the Annual Financial Statements 2010. Since the credit risk changed significantly during 2009, ABN AMRO recorded the CVA harmonization impact of FBN of EUR 22 million net of tax as a 2009 income statement adjustment. The remaining items are adjusted in opening equity. ABN AMRO has concluded that in general the

harmonization adjustments made to that date did not have a material impact on the financial statements of ABN AMRO up to and including 31 December 2010.

Further refinement of accounting harmonization has occurred during the half year ended 2011, which led to netting adjustments and reclassification of line items in the condensed consolidated statement of financial position, the condensed statement of cash flows and the notes to the Interim Financial Statements 2011. The effects of these harmonizations have been adjusted retrospectively as at 31 December 2010 where indicated. An overview of these adjustments is given below:

- as a consequence of the netting of residential mortgage loans with demand deposits EUR 1.9 billion has been netted for the half year ended 30 June 2011 (2010: EUR 1.8 billion) which impacts the condensed consolidated statement of financial position for the line items Loans and receivables - customers and Due to customers;
- the netting of tax which impacts the Current and deferred tax assets and Current and deferred tax liabilities for EUR 0.4 billion for Current tax for the half year ended 30 June 2011 (2010: EUR 0.4 billion) and EUR 0.3 billion for Deferred tax for the half year ended 30 June 2011 (2010: EUR 0.1 billion);
- a reclassification was made in Loans and receivables - banks for EUR 5.0 billion for the half year ended 30 June 2011 (2010: EUR 4.2 billion) from Other to Interest-bearing deposits;
- a reclassification was made in Due to banks for EUR 0.8 billion for the half year ended 30 June 2011 (2010: EUR 0.9 billion) from Other to Other deposits;
- a reclassification was made in Due to customers for EUR 13.0 billion for the half year ending 30 June 2011 (2010: EUR 13.0 billion) from Time deposits to Other deposits; and
- a reclassification was made in Issued debt for EUR 0.6 billion for the half year ended 30 June 2011 (2010: EUR 0.5 billion) from Bonds and notes issued to Saving certificates.

Accordingly, where indicated, the presented figures as at 31 December 2010 differ from those included in the Annual Report 2010. The figures as at 31 December 2009 have not been adjusted for the above mentioned harmonizations.

### **Financial statements of ABN AMRO Bank Standalone**

The Dutch State-acquired businesses were transferred (in majority) from the Former ABN AMRO Bank N.V. (now named RBS N.V.) to ABN AMRO Bank Standalone on 6 February 2010 and the EC Remedy divestment was completed on 1 April 2010. Consequently, ABN AMRO Bank Standalone's audited statutory annual financial statements for the financial year started 9 April 2009 and ended 31 December 2009 do not reflect the assets and liabilities and the financial results of the Dutch State-acquired businesses nor the EC Remedy transaction. ABN AMRO is of the opinion that these financial statements do not add any material additional insight into the financial position of ABN AMRO and accordingly has not incorporated these financial statements into this Base Prospectus.

### **Pre-Legal Merger Financial Information**

Both ABN AMRO Bank Standalone and FBN have operated as separate and independent banks up to the Legal Merger. The Legal Merger has led to a fundamental change in the organisational structure, governance, and strategy of the separate banks, leading to different business segments and costs to integrate ABN AMRO Bank Standalone with FBN to benefit from synergies.

Only the audited consolidated annual financial statements for the financial year ended 31 December 2010 (including the comparative 2009 financial statements) of ABN AMRO Group N.V., the interim financial statements 2011 of ABN AMRO Group N.V., and future consolidated financial information provide a consolidated view on the financial position and results of the combination of ABN AMRO Bank Standalone and FBN, incorporating consolidation adjustments and eliminations. Furthermore, only the ABN AMRO Group N.V. consolidated financial statements are based on a common set of accounting policies and principles, as well as estimates and classification of line items leading to consistent recognition, measurement, presentation and disclosure treatment. For more information on the consolidation process, and presentation of financial statements of the combined bank, see "General information—Basis of Presentation" in Note 1 to the Interim Financial Statements 2011 and "Harmonization of accounting policies" and "Changes in accounting policies" in Notes 1.5 and 1.6 of the Annual Financial Statements 2010.

Now that audited consolidated financial statements are available for both 2010 and 2009 for ABN AMRO Group N.V., ABN AMRO is of the opinion that the audited pro forma financial information of ABN AMRO Bank Standalone for the financial year ended 31 December 2009 and FBN's publicly available audited consolidated annual financial statements for the financial year ended 31 December 2009 do not add any material additional insight into the financial position of ABN AMRO compared to the consolidated financial statements of ABN AMRO Group N.V.

## **EC Remedy and Disposals**

The operating results of NEW HBU II N.V. and IFN Finance B.V. (divested together under the **EC Remedy** on 1 April 2010), the operating results and transaction result upon the sale of Fortis Intertrust Group ("**Intertrust**") (sale completed on 29 December 2009) and the operating results of prime Fund Prime Fund Solutions ("**PFS**") (sale completed on 30 April 2011) have been included in the segment Group Functions until the date of completion of the relevant divestment.

Certain figures in this chapter may not add up exactly due to rounding. In addition, certain percentages in this chapter have been calculated using rounded figures. Please also note that due to the integration, the current segmentation of reporting is still subject to small changes.

## **4.2 Key factors affecting results of operations**

### **General market conditions**

ABN AMRO's revenues and results of operations are affected by, among other factors general economic conditions in The Netherlands and other markets, including economic cycles, the financial markets, the Dutch mortgage market, banking industry cycles and fluctuations in interest rates and exchange rates, monetary policy, demographics, and other competitive factors. Revenues and net profit from ABN AMRO's operations may vary from year to year depending on changes in consumer and corporate lending market conditions and business cycles in The Netherlands and other markets.

ABN AMRO's revenues and net profits have been adversely affected by economic and market conditions in The Netherlands and other markets in Europe and around the world. The dislocation in financial markets which began in late 2007 put financial institutions in The Netherlands and around the world under considerable pressure. Market turbulence was accompanied by recessionary conditions in developed economies, including The Netherlands, and a slowdown in emerging economies, with serious adverse consequences for asset values, employment, consumer confidence and levels of economic activity.

In The Netherlands and throughout Europe, economic conditions have remained difficult, and market volatility is expected to continue. In addition, the risk exists that major economies may suffer a "double dip" recession in which the improvements seen in a number of important markets may reverse. The financial services industry, both in The Netherlands and around the world, continues to face a high degree of uncertainty, and ABN AMRO is exposed to these developments across all its businesses, both directly and through their impact on its customers and clients.

### **Regulatory environment**

As a financial services firm, ABN AMRO is subject to financial services laws, regulations, corporate governance requirements, administrative actions and policies in each location in which it operates. In particular, ABN AMRO is subject to extensive regulation by the Dutch regulatory authorities and the European Commission. In 2009, as many government economic support programs slowed or wound down, global regulatory and legislative focus generally moved to a second phase of broader reform and a restructuring of financial institution regulation. Legislators and regulators in The Netherlands, across Europe and in other major economies, are currently considering a wide range of proposals that, if enacted, could result in major changes to the way ABN AMRO's operations are regulated. See "The Issuer—ABN AMRO Bank N.V.—Regulation".

### **EC Remedy**

In addition, ABN AMRO's results have been impacted by regulatory and legal requirements in relation to the integration of ABN AMRO Bank and FBN through the Legal Merger. The European Commission imposed a number of conditions upon the Legal Merger, including the sale of the EC Remedy Businesses pursuant to the EC Remedy.

In order to satisfy the conditions imposed by the European Commission for approval of the integration of FBN and ABN AMRO Bank Standalone, ABN AMRO Bank was required to divest part of its commercial banking business representing approximately 7% of the total revenues of the Dutch State-acquired businesses. On 1 April 2010, the sale of the EC Remedy Businesses to Deutsche Bank AG was completed.

The sale price agreed for the EC Remedy Businesses included a guarantee by ABN AMRO Bank to provide for 75% of the credit losses associated with the defaults of clients of the EC Remedy Businesses and an amount for certain other liabilities.

Operational separation of the EC Remedy activities is on track and the migration is expected to be finalized by 2012. The cross-liability resulting from the EC Remedy has decreased to EUR 352 million at 30 June 2011 compared to EUR 454 million at 31 December 2010.

## **Separation and Integration**

In addition to the EC Remedy described above, ABN AMRO's Consolidated Financial Statements have been impacted by several items related to the demerger of ABN AMRO Bank from RBS N.V., the separation of FBN from Fortis Bank SA/NV and the integration of ABN AMRO Bank and FBN. During the period under review, these have included restructuring and project costs recorded as operating expenses or provisions for future expenses in ABN AMRO's Consolidated Financial Statements and amounted to EUR 911 million in the year ended 31 December 2010 and a further EUR 146 million in the six months ended 30 June 2011. Integration activities and related costs are expected to run until the end of 2012.

## **Customer Excellence Program**

With its Interim Results 2011, ABN AMRO announced the customer excellence program, a series of initiatives designed to increase customer focus and improve operational excellence in ABN AMRO's service to its clients

Unfortunately these initiatives will have an impact on ABN AMRO's employees. A restructuring provision of EUR 200 million (pre tax) has been recorded for this purpose.

The customer excellence initiatives are expected to result in a cost/income ratio structurally below 60% by 2014 under normal economic and business conditions and depending on the impact of further legislation on the financial sector.

## **Interest rate fluctuations**

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

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

## **Liquidity and funding**

ABN AMRO seeks to ensure that it is in a position to meet its obligations at any time. To this end, ABN AMRO maintains a diversified and stable funding base comprising core consumer and

commercial customer deposits and institutional balances, and long-term wholesale funding. In addition, ABN AMRO holds portfolios of highly liquid assets diversified by currency and maturity to enable it to respond to unusual liquidity requirements.

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

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

ABN AMRO is subject to the threat of illiquidity and/or extreme price volatility, either directly or indirectly, through exposures to securities, loans and other commitments. Although there was some moderation in market conditions during 2009 and 2010 in the primary markets, it is difficult to predict if this trend will continue. If conditions worsen, ABN AMRO's markets, products and other businesses may be adversely affected.

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

### **Dividend policy**

ABN AMRO's dividend policy agreed in 2011 with its shareholders targets a dividend payout of 40% of its net reported annual profit. On 26 August 2011, ABN AMRO declared an interim dividend of EUR 200 million to be paid on the ordinary shares. This dividend has been paid as at the date of this Base Prospectus. Payment of an interim dividend is subject to the prior distribution of the credit balance of the dividend reserve A of EUR 25 million to the holder of the non-cumulative preference shares for which the required approval was obtained.

Payment of an (interim) dividend also activates coupon/dividend trigger mechanisms in the class A noncumulative preference shares, the Perpetual Bermudan Callable Securities and the Upper Tier 2 GBP instrument. As a result of the aforesaid coupon/dividend triggers, the coupons on these instruments will be paid on the next coupon date, subject to the issuer not being in breach of DNB capital adequacy requirements, where applicable.

### **Exchange rate fluctuations**

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

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

### **4.3 Explanation of key income statement items**

#### **Net interest income**

Interest income and expense is recognized in the income statement using the effective interest rate method. The application of this method includes the amortization of any discount or premium or other differences, including transaction costs and qualifying fees and commissions, between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. This item does not include interest income and expense in relation to trading balances which is included within net trading income.

#### **Non-interest income**

Non-interest income comprises ABN AMRO's interest other than net interest income, including (as described below), net fee and commissions income, net trading income, results from financial transactions, share in equity associated investments and other operating income/expense.

#### ***Net fee and commissions income***

Fees and commissions income is recognized as follows. Fees and commissions generated as an integral part of negotiating and arranging funding transactions with customers (such as the issuance of loans) are included in the calculation of the effective interest rate and are included in interest income and expense. Fees and commissions generated for transactions or discrete acts are recognized when the transaction or act is complete. Fees and commissions dependent on the outcome of a particular event or contingent upon performance are recognized when the relevant criteria have been met. Service fees are typically recognized on a straight-line basis over the service contract period. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts. Asset management fees related to investment funds are also recognized over the period the service is provided. These principles are also applied to the recognition of income from wealth management, financial planning and custody services that are provided over an extended period of time.

#### ***Net trading income***

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



### ***Results from financial transactions***

Results from financial transactions include gains and losses on the sale of non-trading financial assets and liabilities, ineffectiveness of certain hedging programs, the change in fair value of derivatives used to hedge credit risks that are not included in hedge accounting relationships, fair value changes relating to assets and liabilities designated at fair value through profit or loss and changes in the value of any related derivatives. For liabilities designated at fair value through profit or loss it includes changes in ABN AMRO credit spreads.

### ***Other operating income/expense***

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

### **Operating expenses**

Operating expenses include personnel expenses, general and administrative expenses and depreciation and amortization.

### **Loan impairments and other credit risk provisions**

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

The amount of impairment loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate.

#### 4.4 Results of operations for the six months ended 30 June 2011 and 2010

##### Financial Information for the six months ended 30 June 2011 and 2010

The following table sets forth selected financial information relating to the six month periods ended 30 June 2011 and 30 June 2010 (the latter of which is presented for comparative purposes only):

The following discussion reflects, where indicated, the accounting harmonization described in "The Issuer—Operating and Financial Review—Presentation of Financial Information—Harmonization of accounting policies".

	Six months ended 30 June					
	2011			2010		
	<i>(Reported)</i>	<i>(Reconciling items)</i>	<i>(Underlying)</i>	<i>(Reported)</i>	<i>(Reconciling items)</i>	<i>(Underlying)</i>
	<i>(in millions of euros)</i>					
Net interest income .....	2,566	-	2,566	2,436	-	2,436
Non-interest income .....	1,544	-	1,544	401	(812)	1,213
Operating income .....	4,110	-	4,110	2,837	(812)	3,649
Operating expenses .....	2,744	146	2,598	3,390	646	2,744
Loan impairment .....	310	-	310	348	-	348
<i>Profit/(loss) before tax</i> .....	1,056	(146)	1,202	(901)	(1,458)	557
Income tax (expense)/credit .....	192	(36)	228	67	(165)	232
<b><i>Profit/(loss) for the period</i></b> .....	<b>864</b>	<b>(110)</b>	<b>974</b>	<b>(968)</b>	<b>(1,293)</b>	<b>325</b>
Cost/income ratio .....	67%		63%	119%		75%
	<b>As at 30 June 2011</b>			<b>As at 31 December 2010</b>		
Assets under Management (in EUR billion) .....	162.1			164.2		
Risk-weighted assets (in EUR billion) .....	109.1			116.3		
FTEs (at period-end) .....	25,112			26,161		

## Reconciling items

ABN AMRO's Interim Financial Statements 2011 have been impacted by several items related to the demerger of ABN AMRO Bank from RBS N.V., the separation of FBN from Fortis Bank SA/NV and the integration of ABN AMRO Bank and FBN.

Where relevant, for a better understanding of underlying trends, the financial results for the six months ended 30 June 2010 and the six months ended 30 June 2011 have been adjusted for these items and the adjusted figures are presented as "underlying" results in the discussion below.

Financial information inclusive of separation and integration related items are presented as "reported" results, which are those appearing in the Interim Financial Statements 2011. The underlying results and reconciling items, where included herein, have been extracted from management accounts and are unaudited.

In the discussion of ABN AMRO's underlying results, the following adjustments for separation and integration related items were made to the reported six months ended 30 June 2011 results:

- separation and integration costs resulted in a pre-tax increase of EUR 146 million in operating expenses (EUR 110 million net-of-tax), consisting of EUR 126 million in restructuring and project costs for Group Functions (EUR 95 million net-of-tax), EUR 14 million in project costs in Retail & Private Banking (EUR 11 million net-of-tax) and EUR 6 million in project costs in Merchant & Commercial Banking (EUR 4 million net-of-tax).

In the discussion of ABN AMRO's underlying results, the following adjustments for separation and integration related items were made to the reported six months ended 30 June 2010 results:

- the total transaction result of the closing of the EC Remedy amounted to a loss of EUR 812 million. The negative result is mainly due to a loss on the book value, a guarantee provided for the potential losses on the assets sold (the "**Credit Umbrella**"), the cost of indemnification for cross-liability exposure and separation and migration costs; and
- other separation and integration costs resulted in a pre-tax increase of EUR 646 million in operating expenses (EUR 481 million net-of-tax), consisting of EUR 469 million in restructuring provisions (EUR 349 million net-of-tax), EUR 22 million in project costs in Retail & Private Banking (EUR 16 million net-of-tax), EUR 15 million in project costs in Merchant & Commercial Banking (EUR 11 million net-of-tax) and EUR 140 million in project costs in segment Group Functions (EUR 105 million net-of-tax).

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

Underlying profit for the six month period ended 30 June 2011 increased by EUR 649 million, or 200%, to EUR 974 million, as compared to EUR 325 million for the six month period ended 30 June 2010 (which excludes the net impact of separation and integration related items of EUR 110 million (net-of-tax) in 2011 and EUR 1,293 million (net-of-tax) in 2010, respectively). The underlying results include several incidental items in the first half of 2011, including items resulting from a further integration of systems and methodologies, gains on sales of participating interests and buildings and a release related to the Madoff provision (totalling approximately EUR 150 million after tax). Underlying net profit for the first half of 2010 was negatively impacted by litigation provisions and expenses (totalling EUR 265 million pre-tax and after tax) and included costs for capital instruments and a credit protection instrument, which were called or converted in the course of 2010. The costs of these instruments in the first half of 2010 amounted to EUR 188 million after tax.

## **Operating Income**

Underlying operating income, comprised of net interest income and non-interest income, increased by EUR 461 million, or 13%, to EUR 4,110 million for the six month period ended 30 June 2011, as compared to EUR 3,649 million for the six month period ended 30 June 2010 (which excludes separation and integration related items of EUR 812 million arising from the EC Remedy in 2010).

### ***Net interest income***

Net interest income for the six month period ended 30 June 2011 increased by EUR 130 million, or 5%, to EUR 2,566 million as compared to EUR 2,436 million in the first half of 2010, despite a lower contribution from the divested activities.<sup>4</sup> This was partly due to the conversion of the abovementioned capital instruments.

The mortgage portfolio, consisting of predominantly Dutch prime residential mortgage loans, showed a marginal decline in the first half of 2011 due to lower new mortgage loan production. New mortgage loan production was at stable margins. The volume and the margin on the consumer loan book showed a modest decline in the first six months of 2011.

Growth in the commercial loan portfolio of Commercial & Merchant Banking (excluding securities financing) – amongst others in Business Banking and Corporate Clients as well as ECT – was offset by the sale of the PFS activities. C&MB continues to reap the benefits from the expansion of the product offering and rebuilding of the network serving Dutch clients in The Netherlands and abroad, initiated in 2010. Both R&PB as well as C&MB saw increases in total deposits, which compensated for the sale of the PFS activities.

### ***Non-interest income***

Underlying non-interest income for the six month period ended 30 June 2011 increased by EUR 331 million, or 27%, to EUR 1,544 million, as compared to EUR 1,213 million for the six month period ended 30 June 2010 (which excludes separation and integration related items of

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<sup>4</sup> The divested activities (NEW HBU II N.V. and IFN Finance B.V., sold together under the EC Remedy on 1 April 2010 and the activities of Prime Fund Solutions (sold on 30 April 2011)) were included in the results until the date of completion of the sale.

EUR 812 million arising from the EC Remedy in 2010). This increase was primarily due to the introduction of new products and higher client activity in C&MB. In addition, several positive one-offs were recorded, totalling approximately EUR 120 million.

### **Operating expenses**

Underlying operating expenses for the six month period ended 30 June 2011 decreased by EUR 146 million, or 5%, to EUR 2,598 million, as compared to EUR 2,744 million for the six month period ended 30 June 2010 (which exclude the separation and integration related items of EUR 146 million (pre tax) in 2011 and EUR 646 million in 2010, respectively).

A restructuring provision of EUR 200 million (pre tax) incurred as part of ABN AMRO's implementation of its customer excellence program in the six month period ended 30 June 2011 was offset by the non-recurrence of high legal provisions and expenses and the operating expenses of divested activities included in the six month period ended 30 June 2010. Excluding the impact of these items, underlying operating expenses increased by 1%, as higher pension costs and a wage increase in 2011 masked the structural lowering of the cost base following the integration of the retail branch network in The Netherlands in the second half of 2010.

The underlying cost/income ratio accordingly improved to 63% in the first half of 2011 from 75% in the first half of 2010 (on a reported basis, 2011: 67%; 2010: 119%).

### **Loan impairments and other credit risk provisions**

Loan impairments for the six month period ended 30 June 2011 decreased by EUR 38 million, or 11%, to EUR 310 million, as compared to EUR 348 million for the six month period ended 30 June 2010. This decrease was primarily due to lower impairments year-on-year at R&PB and C&MB.

R&PB recorded lower impairments within the consumer loan portfolio, which were offset by slightly higher impairments in the mortgage portfolio albeit still at relatively low levels. Loan impairments of C&MB benefited from releases in Large Corporates & Merchant Banking and lower provisions in Business Banking (small and medium enterprises banking). These were only partly offset by higher impairments in Corporate Clients. Both the first half of 2010 and the first half of 2011 included releases that were reported in Group Functions (EUR 51 million in 2010 from the EC Remedy activities and EUR 52 million was recovered from an impaired loan related to the Madoff fraud in 2011).

### **Results of operations by segment for the six month periods ended 30 June 2011 and 2010**

ABN AMRO operates through two client-focused businesses and a support segment, Retail & Private Banking, Commercial & Merchant Banking and Group Functions. Each business comprises several activities. The activities are conducted primarily in The Netherlands and selectively abroad.

#### ***Retail & Private Banking***

The following table sets forth the condensed income statement for the Retail & Private Banking segment for the six month periods ended 30 June 2011 and 2010:

Six months ended 30 June						
	2011			2010		
	(Reported)	(Reconciling)	(Underlying)	(Reported)	(Reconciling)	(Underlying)
	(in millions of euros)					
Net interest income .....	1,597	-	1,597	1,730	-	1,730
Non-interest income .....	622	-	622	649	-	649
Operating income .....	2,219	-	2,219	2,379	-	2,379
Operating expenses .....	1,331	14	1,317	1,448	22	1,426
Loan impairments .....	136	-	136	141	-	141
<i>Profit / (loss) before taxation ...</i>	752	(14)	766	790	(22)	812
Income tax expense .....	171	3	174	210	6	216
<i>Profit / (loss) for the period .....</i>	581	(11)	592	580	(16)	596
Cost/income ratio	60%		59%	61%		60%

	As at 30 June 2011	As at 31 December 2010
Loans and receivables- customers (in EUR billion) .....	179.4	184.0
Due to customers (in EUR billion) .....	126.5	123.2
Assets Under Management (in EUR billion) .....	162.1	164.2
Risk Weighted Assets (in EUR billion) .....	45.6	49.6
FTEs .....	10,768	11,132

#### *Profit/(loss) for the periods*

Underlying profit for the six month period ended 30 June 2011 decreased by EUR 4 million, or 1%, to EUR 592 million, as compared to EUR 596 million for the six month period ended 30 June 2010 (which excludes the separation and integration related items of EUR 11 million (net-of-tax) in 2011 and EUR 16 million (net-of-tax) in 2010, respectively).

#### *Operating income*

Operating income for the six month period ended 30 June 2011 decreased by EUR 160 million, or 7%, to EUR 2,219 million, as compared to EUR 2,379 million for the six month period ended 30 June 2010.

#### Net interest income

Net interest income for the six month period ended 30 June 2011 decreased by EUR 133 million, or 8%, to EUR 1,597 million, as compared to EUR 1,730 million for the six month period ended 30 June 2010. This decrease was the result of approximately EUR 100 million of interest income being transferred to other segments following the transfer of SME clients to Commercial & Merchant Banking and the transfer of the mismatch result on part of the mortgage portfolio to Group Functions.

The volume of new production of Dutch residential mortgage loans is still well below pre-crisis levels, due in part to stricter lending criteria. As a result, the total mortgage portfolio showed a

marginal decline over the first half year of 2011. New mortgage production volumes are expected to increase during the remainder of the year as the Dutch government has lowered the property transfer tax for a period of one year starting 1 July 2011 to stimulate the residential property market. The decline in the commercial loan book in the first six months of 2011 is attributable to an internal transfer of a SME portfolio to Commercial & Merchant Banking. Consumer loans also showed a small decline in the first six months of 2011. Margins on consumer loans showed a limited decline over the same period.

Total deposits increased by EUR 3.3 billion over the half-year period. Margins on deposits held up well in the first half of the year despite rising interest rates. ABN AMRO expects margins to come under pressure in the remainder of the year.

#### Non-interest income

Non-interest income for the six month period ended 30 June 2011 decreased by EUR 27 million, or 4%, to EUR 622 million, as compared to EUR 649 million for the six month period ended 30 June 2010. This decline was mainly caused by lower client trading activity compared to first-half 2010 on the back of market volatility and uncertainty.

Assets under Management ("**AuM**") came down by EUR 2.1 billion, as several clients transferred their securities to a registrar prior to effectuation on 1 July 2011 of certain amendments to the Securities Giro Act (*Wet Giraal Effecten verkeer*) limiting the physical delivery of securities. These transfers (EUR 4.5 billion) had no impact on fee income.

#### *Operating expenses*

Underlying operating expenses for the six month period ended 30 June 2011 decreased by EUR 109 million, or 8%, to EUR 1,317 million, as compared to EUR 1,426 million for the six month period ended 30 June 2010 (which excludes the separation and integration related items of EUR 14 million (pre tax) in 2011 and EUR 22 million (pre tax) in 2010, respectively). This decrease was primarily the result of significantly lower staff levels from the second half of 2010 due to the integration of the branch network in The Netherlands. Additionally, underlying operating expenses in 2010 included legal provisions. The decline in underlying operating expenses in the first half of 2011 was partially offset by higher cost allocation and high pension costs.

The underlying cost/income ratio remained virtually flat at 59% for the six month period ended 30 June 2011 as compared to 60% to the six month period ended 30 June 2010, (on a reported basis; 2011: 60%; 2010: 61%).

#### *Loan impairments and other credit risk provisions*

Loan impairments for the six month period ended 30 June 2011 decreased by EUR 5 million, or 4%, to EUR 136 million, as compared to EUR 141 million for the six month period ended 30 June 2010. Loan impairments within the consumer loan portfolio were lower and Private Banking saw some releases in its portfolio. Impairments in the mortgage portfolio remained at relatively low levels though increased slightly as a result of lower market prices upon a forced sale after the default of a borrower.

## Commercial & Merchant Banking

The following table sets forth the condensed income statement for the Commercial & Merchant Banking segment for the six month period ended 30 June 2011 and 2010:

	Six months ended 30 June					
	2011			2010		
	(Reported)	(Reconciling)	(Underlying)	(Reported)	(Reconciling)	(Underlying)
	(in millions of euros)					
Net interest income .....	881	-	881	792	-	792
Non-interest income .....	694	-	694	537	-	537
Operating income .....	1,575	-	1,575	1,329	-	1,329
Operating expenses .....	1,013	6	1,007	1,075	15	1,060
Loan impairments .....	191	-	191	231	-	231
<i>Profit / (loss) before taxation ...</i>	371	(6)	377	23	(15)	38
Income tax expense .....	55	(2)	57	32	(4)	36
<i>Profit / (loss) for the period .....</i>	316	(4)	320	(9)	(11)	2
Cost/income ratio .....	64%		64%	81%		80%

	As at 30 June 2011	As at 31 December 2010
Loans and receivables- customers (in EUR billion).....	98.6	84.7
Due to customers (in EUR billion) .....	85.5	76.7
Risk Weighted Assets (in EUR billion) .....	57.9	61.4
FTEs .....	5,954	5,849

### *Profit/(loss) for the periods*

Underlying profit for the six month period ended 30 June 2011 increased by EUR 318 million to EUR 320 million, as compared to EUR 2 million for the six month period ended 30 June 2010 (which excludes the net impact of separation and integration related items of EUR 4 million (net-of-tax) in 2011 and EUR 11 million (net-of-tax) in 2010, respectively). Underlying net profit in the first half 2010 included large legal provisions and expenses.

### *Operating income*

Operating income for the six month period ended 30 June 2011 increased by EUR 246 million, or 19%, to EUR 1,575 million, as compared to EUR 1,329 million for the six month period ended 30 June 2010.

### Net interest income

Net interest income for the six month period ended 30 June 2011 increased by EUR 89 million, or 11%, to EUR 881 million, as compared to EUR 792 million for the six month period ended 30 June 2010. This increase was primarily the result of growth in volume and margin of the loan portfolio. Commercial & Merchant Banking's loan portfolio (excluding the securities financing activities) grew by EUR 3.7 billion in the first half of 2011 benefitting from an internal transfer of an SME portfolio from Retail & Private Banking and from further growth of the business, especially in Business Banking and Corporate Clients, as well as ECT.



### Non-interest income

Non-interest income for the six month period ended 30 June 2011 increased by EUR 157 million, or 29%, to EUR 694 million, as compared to EUR 537 million for the six month period ended 30 June 2010. This increase was primarily the result of increased client volumes and the introduction of new products. Several credit value adjustments (counterparty risk related to interest rate derivatives), higher private equity revaluations and a reclassification of income from net interest income to non-interest income also contributed to higher non-interest income. Higher volumes in the equity derivatives business also contributed to the increase in C&MB's non-interest income.

### *Operating expenses*

Underlying operating expenses for the six month period ended 30 June 2011 decreased by EUR 53 million, or 5%, to EUR 1,007 million, as compared to EUR 1,060 million for the six month period ended 30 June 2010 (which excludes the separation and integration related items of EUR 6 million (pre tax) in 2011 and EUR 15 million (pre tax) in 2010, respectively), as the first half of 2010 included high legal provisions and expenses which did not recur in 2011. This decrease was partially offset by increased underlying operating expenses arising from a refinement in cost allocation in 2011 and the expansion of ABN AMRO's international activities.

The underlying cost/income ratio improved to 64% in the first half of 2011 from 80% in the first half of 2010 (on a reported basis, 2011: 64%; 2010: 81%).

### *Loan impairments and other credit risk provisions*

Loan impairments for the six month period ended 30 June 2011 decreased by EUR 40 million, or 17%, to EUR 191 million, as compared to EUR 231 million for the six month period ended 30 June 2010. This decrease was mainly the result of releases in Large Corporates and lower impairments in Business Banking. Loan impairments in the Corporate Clients portfolio increased as several larger impairments were taken in the first half of 2011.

## Group Functions

The following table sets forth the condensed income statement for the Group Functions segment for the six month period ended 2011 and 2010:

	Six months ended 30 June					
	2011			2010		
	(Reported)	(Reconciling)	(Underlying)	(Reported)	(Reconciling)	(Underlying)
	(in millions of euros)					
Net interest income .....	88	-	88	(87)	-	(87)
Non-interest income .....	228	-	228	(783)	812	29
Operating income .....	316	-	316	(870)	812	(58)
Operating expenses .....	400	126	274	868	609	259
Loan impairments .....	(17)	-	(17)	(24)	-	(24)
<i>Profit / (loss) before taxation ...</i>	(67)	(126)	59	(1,714)	(1,421)	(293)
Income tax expense .....	(34)	(31)	(3)	(175)	(155)	(20)
<i>Profit / (loss) for the period .....</i>	(33)	(95)	62	(1,539)	(1,266)	(273)

	As at 30 June 2011	As at 31 December 2010
Loans and receivables- customers (in EUR billion) .....	3.6	5.2
Due to customers (in EUR billion) .....	5.3	9.6
Risk Weighted Assets (in EUR billion) .....	5.6	5.4
FTEs .....	8,390	9,180

### *Profit/(loss) for the periods*

Underlying profit for the six month period ended 30 June 2011 increased by EUR 335 million to EUR 62 million, as compared to a loss of EUR 273 million for the six month period ended 30 June 2010 (which excludes the net separation and integration related items of EUR 95 million (net-of-tax) in 2011 and EUR 1,266 million (net-of-tax) (including EUR 812 million relating to the EC Remedy in 2010)).

### *Operating income*

Underlying operating income for the six month period ended 30 June 2011 increased by EUR 374 million to EUR 316 million, as compared to a loss of EUR 58 million for the six month period ended 30 June 2010 (which excludes the EUR 812 million impact of the EC Remedy in 2010). These results include the operating results from divested activities.

### Net interest income

Net interest income for the six month period ended 30 June 2011 increased by EUR 175 million to EUR 88 million, as compared to a loss of EUR 87 million for the six month period ended 30 June 2010. This increase was primarily the result of the non-recurrence of first-half 2010 interest expenses on capital instruments. A further refinement of transfer pricing policies and the transfer of the mismatch result on part of the mortgage portfolio from Retail & Private Banking to Group Functions also contributed to the increase. Excluding results of the divested activities (which are

otherwise recorded in Group Functions), net interest income increased by EUR 249 million from a loss of EUR 164 million to EUR 85 million.

#### Non-interest income

Underlying non-interest income for the six month period ended 30 June 2011 increased by EUR 199 million to EUR 228 million, as compared to EUR 29 million for the six month period ended 30 June 2010 (which excludes the EUR 812 million impact of the EC Remedy in 2010). This increase was primarily the result of a call of a credit protection instrument in 2010, hedge accounting ineffectiveness and one-offs totalling approximately EUR 100 million (all in the first-half of 2011). Excluding divested activities, underlying non-interest income increased by EUR 242 million from a loss of EUR 35 million to EUR 207 million.

#### *Operating expenses*

Underlying operating expenses for the six month period ended 30 June 2011 increased by EUR 15 million, or 6%, to EUR 274 million, as compared to EUR 259 million for the six month period ended 30 June 2010 (which excludes the separation and integration related items of EUR 126 million (pre tax) in 2011 and EUR 609 million (pre tax) in 2010, respectively). This increase was primarily the result of the EUR 200 million restructuring provision relating to ABN AMRO's implementation of its customer excellence program and an additional EUR 18 million charge for the Dutch Deposit Guarantee Scheme relating to DSB subordinated deposits, both of which occurred in the first-half of 2011. This was offset by the allocation of more costs to R&PB and C&MB in 2011 compared to 2010. Excluding divested activities, underlying operating expenses increased from EUR 109 million to EUR 239 million.

#### *Loan impairments and other credit risk provisions*

Loan impairments for the six month period ended 30 June 2011 showed a net release of EUR 17 million, a decrease by EUR 7 million, or 29%, as compared to a net release of EUR 24 million for the six month period ended 30 June 2010. In the first half of 2010, loan impairments included a release in the EC Remedy activities amounting to EUR 51 million; in the first half of 2011 an amount of EUR 52 million was recovered on a Madoff related loan leading to a partial release of the provision recorded in December 2008.

#### **Selected Consolidated Balance Sheet Data as at 30 June 2011 and 31 December 2010**

The following discussion reflects the accounting harmonization described in "The Issuer—Operating and Financial Review—Presentation of Financial Information—Harmonization of accounting policies", which led to netting adjustments and reclassifications of certain line items in the condensed consolidated statement of financial position.

The following table sets out significant balance sheet category movements between 31 December 2010 and 30 June 2011:

	<b>At 30 June 2011</b>	<b>At 31 December 2010</b>
	<i>(in millions of euros)</i>	
<b>Assets</b>		
Cash and balances at central banks .....	927	906
Financial assets held for trading.....	28,696	24,300
Financial investments.....	18,847	20,197
Loans and receivables – banks .....	49,770	41,117
Loans and receivables – customers .....	281,563	273,944 <sup>(1)</sup>
Other.....	16,965	16,818 <sup>(1)</sup>
<b>Total assets .....</b>	<b>396,768</b>	<b>377,282<sup>(1)</sup></b>
<b>Liabilities</b>		
Financial liabilities held for trading.....	22,230	19,982
Due to banks .....	27,713	21,536
Due to customers .....	217,310	209,466 <sup>(1)</sup>
Issued debt .....	90,815	86,591
Subordinated liabilities .....	8,379	8,085
Other.....	17,389	19,510 <sup>(1)</sup>
<b>Total liabilities.....</b>	<b>383,836</b>	<b>365,170<sup>(1)</sup></b>
Equity attributable to shareholders of the parent company .....	12,911	12,099
Equity attributable to minority interests .....	21	13
<b>Total equity.....</b>	<b>12,932</b>	<b>12,112</b>
<b>Total liabilities and equity .....</b>	<b>396,768</b>	<b>377,282<sup>(1)</sup></b>

<sup>(1)</sup> Unaudited and adjusted for harmonization as described in "The Issuer—Operating and Financial Review—Presentation of Financial Information—Harmonization of accounting policies" and extracted from Interim Financial Statements 2011. (2010 reported Loans and receivables – customers: EUR 275,755 million; 2010 reported Other (Assets): EUR 17,324 million; 2010 reported total assets: EUR 379,599 million; 2010 reported Due to customers: EUR 211,277 million; 2010 reported Other (Liabilities): EUR 20,016 million; 2010 reported Total liabilities: EUR 367,487 million; 2010 reported Total liabilities and equity: EUR 379,599 million).

### **Total assets**

Total assets at 30 June 2011 increased by EUR 19.5 billion, or 5.2%, to EUR 396.8 billion, as compared to EUR 377.3 billion at 31 December 2010. This was primarily the result of an increase in client flows from the securities financing (including all repo-, reverse repo and securities lending and borrowing transactions, recorded in Loans and receivables – customers, Loans and receivables – banks, Due to customers and Due to banks) and equity derivatives activities (mainly recorded in Financial assets and liabilities held for trading). The year-end 2010 balance sheet includes the activities of PFS (which were sold on 30 April 2011).

Financial investments recorded a EUR 1.4 billion decrease, primarily due to a maturing transaction. The amount invested in Dutch government bonds increased as a result of active management of the liquidity buffer.

Excluding the securities financing activities, Loans and receivables – customers decreased by EUR 2.5 billion. The decrease of EUR 4.6 billion in R&PB's loan portfolio was partly caused by

a decline of EUR 1.4 billion in the mortgage loans. The volume of new production of Dutch residential mortgage loans is still well below pre-crisis levels, due in part to stricter lending criteria. As of 30 June 2011, the amount of outstanding prime residential mortgage loans, predominantly Dutch, was EUR 158.1 billion. An internal transfer of an SME portfolio from R&PB to C&MB and a small seasonal decrease in the consumer loan book further explain the decrease of the R&PB loan portfolio. C&MB's loan portfolio increased as a result of further growth in Business Banking and Corporate Clients as well as ECT and the abovementioned internal transfer of an SME portfolio from R&PB. The decline of the loan portfolio at Group Functions was mainly caused by the sale of PFS.

### ***Total liabilities***

Total liabilities at 30 June 2011 increased by EUR 18.7 billion, or 5.0%, to EUR 383.8 billion, as compared to EUR 365.2 billion at 31 December 2010. This was primarily the result of the growth in client flow in the securities financing and equity derivatives activities.

Due to customers (excluding securities financing activities) remained almost flat despite the sale of PFS activities as a result of higher deposits at Retail & Private Banking and, to a lesser extent, at Commercial & Merchant Banking.

Issued debt increased by EUR 4.2 billion as a result of new issuances and liability management partly offset by maturing debt.

### ***Total equity***

Equity at 30 June 2011 increased by EUR 0.8 billion, or 6.8%, to EUR 12.9 billion, as compared to EUR 12.1 billion at 31 December 2010. This was primarily the result of the year-to-date reported net profit of EUR 864 million.

## **4.5 Results of operations for the years ended 31 December 2010 and 2009**

The following table sets out selected financial information relating to ABN AMRO for the years ended 31 December 2010 and 31 December 2009, respectively, showing the reported and underlying results of operations both under IFRS.

The following discussion reflects, where indicated, the accounting harmonization described in "The Issuer—Operating and Financial Review—Presentation of Financial Information—Harmonization of accounting policies".

### **Financial Information for the years ended 31 December 2010 and 2009**

The following table sets forth selected financial information relating to the years ended 31 December 2010 and 2009:

	Year ended 31 December					
	2010			2009		
	<i>(Reported)</i>	<i>(Reconciling items)</i>	<i>(Underlying)</i>	<i>(Reported)</i>	<i>(Reconciling items)</i>	<i>(Underlying)</i>
	<i>(in millions of euros)</i>					
Net interest income .....	4,905	-	4,905	4,268	-	4,268
Non-interest income .....	1,892	(862)	2,754	3,081	363	2,718

Operating income .....	6,797	(862)	7,659	7,349	363	6,986
Operating expenses .....	6,229	894	5,335	5,549	310	5,239
Loan impairment .....	837	-	837	1,585	-	1,585
<i>Profit/(loss) before tax</i> .....	<u>(269)</u>	<u>(1,756)</u>	<u>1,487</u>	<u>215</u>	<u>53</u>	<u>162</u>
Income tax (expense)/credit .....	145	(265)	410	(59)	(79)	20
<b><i>Profit/(loss) for the period</i></b> .....	<u>(414)</u>	<u>(1,491)</u>	<u>1,077</u>	<u>274</u>	<u>132</u>	<u>142</u>
Cost/income ratio .....	92%		70%	76%		75%

	<b>As at 31 December</b>	
	<b>2010</b>	<b>2009</b>
Assets under Management (in EUR billion) .....	164.2	149.7
Risk-weighted assets (in EUR million) .....	116,328	N/R
FTEs (at year-end) .....	26,161	29,551

### Reconciling items

ABN AMRO Group N.V.'s Annual Financial Statements 2010 have been impacted by several items related to the demerger of ABN AMRO Bank from RBS N.V., the separation of FBN from Fortis Bank SA/NV and the integration of ABN AMRO Bank and FBN.

Where relevant, for a better understanding of underlying trends, the financial results for the full year ended 31 December 2009 and the full year ended 31 December 2010 have been adjusted for these items and the adjusted figures are presented as "underlying" results in the discussion below.

Financial information inclusive of separation and integration related items are presented as "reported" results, which are those appearing in the audited Annual Financial Statements 2010. The underlying results and reconciling items, where included herein, have been extracted from management accounts and are unaudited.

In the discussion of ABN AMRO's underlying results, the following adjustments for separation and integration related items were made to the reported year ended 31 December 2010 results:

- related to the EC Remedy, there was a EUR 862 million decrease in non-interest income, a decrease of EUR 17 million in operating expenses (resulting in net costs of a EUR 845 million pre-tax) and a EUR 33 million tax credit. This resulted in a total net loss of EUR 812 relating to the EC Remedy;
- other separation and integration costs resulted in a pre-tax increase of EUR 911 million in operating expenses (EUR 679 million net-of-tax), consisting of EUR 141 million in pre-tax separation costs (EUR 105 million net-of-tax), EUR 319 million in pre-tax integration costs (EUR 238 million net-of-tax) and EUR 451 million for restructuring, personnel and housing provision, (EUR 336 million net-of-tax). The reported results of the first half of 2010 included a provision of EUR 469 million, of which EUR 18 million was released again in the fourth quarter of 2010; and

- the EUR 894 million operating expenses adjustment in 2010 reflects the EUR 911 million of separation and integration costs described above, net of a release of EUR 17 million in operating expenses.

In the discussion of ABN AMRO's underlying results, the following adjustments were made to the reported year ended 31 December 2009 results:

- an exceptional gain following the FCC settlement (ABN AMRO Capital Finance Ltd, previously named Fortis Capital Company Ltd) of EUR 363 million pre-tax and net-of-tax; and
- separation and integration costs of EUR 310 million pre-tax (EUR 231 million net-of-tax).

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

Underlying profit for the year ended 31 December 2010 increased by EUR 935 million to EUR 1,077 million, as compared to EUR 142 million for the year ended 31 December 2009 (which excludes the net adverse impact of the EC Remedy and other separation and integration items of EUR 1,491 million (net-of-tax) in 2010 and a positive impact of EUR 132 million (net-of-tax) in 2009, respectively). This increase was primarily the result of a significant increase in the profitability of Retail & Private Banking, a higher profit at Commercial & Merchant Banking and an improved, though still negative, result from Group Functions.

### **Operating income**

Underlying operating income for the year ended 31 December 2010 increased by EUR 673 million, or 10%, to EUR 7,659 million, as compared to EUR 6,986 million for the year ended 31 December 2009 (which excludes the decrease in income of EUR 862 million due to the EC Remedy in 2010 and the positive impact of EUR 363 million in 2009). This increase is primarily the result of a 15% increase in net interest income and almost stable underlying non-interest income.

#### *Net interest income*

Net interest income for the year ended 31 December 2010 increased by EUR 637 million, or 15%, to EUR 4,905 million, as compared to EUR 4,268 million for the year ended 31 December 2009. This increase is primarily the result of higher revenues of the loan portfolio and client deposits in Retail & Private Banking and Commercial & Merchant Banking. Margins on savings deposits recovered as fixed-rate deposits with a high interest rate (as a result of tight market circumstances) matured in 2009 and were replaced by short-term variable-rate deposits, which have a lower interest rate.

#### *Net fee and commission income*

The following table sets out the net fee and commission income for ABN AMRO for the years ended 31 December 2010 and 2009:

<b>Year ended 31 December</b>	
<b>2010</b>	<b>2009</b>

(in millions of euros)

**Fee and commission income**

Securities and custodian services .....	1,095	865
Reinsurance commissions and insurance and investment fees .....	113	114
Portfolio management and trust fees .....	437	495
Payment services .....	583	579
Guarantees and commitment fees .....	92	93
Other service fees .....	230	254
Total fee and commission income .....	<u>2,550</u>	<u>2,400</u>

**Fee and commission expense**

Securities and custodian services .....	510	288
Reinsurance commissions and insurance and investment fees .....	19	21
Portfolio management and trust fees .....	5	5
Payment services .....	76	70
Guarantees and commitment fees .....	166	80
Other service fees .....	8	3
Total fee and commission expense .....	<u>784</u>	<u>467</u>
Total net fee and commission income .....	<u>1,766</u>	<u>1,933</u>

Net fee and commission income decreased by 9% or EUR 167 million from EUR 1,933 million for the year ended 31 December 2009 to EUR 1,766 million for the year ended 31 December 2010. This decrease was mainly driven by an increase in fee and commission expenses in guarantees and commitments as a result of higher fees paid in 2010 to the Dutch State for credit protection (difference year-on-year of EUR 82 million) and the sale of Intertrust in December 2009 resulting in a decrease of EUR 129 million in trust fees. The decrease was partially offset by increased net income from securities and custodian services from ABN AMRO Clearing, which benefited from the acquisition of the US activities and growth in Asia and higher net fees and commissions in Private Banking as a result of the recovery of stock markets, resulting in increased Assets under Management.

**Net trading income**

The following table sets out the net trading income for ABN AMRO for the years ended 31 December 2010 and 2009:

	Year ended 31 December	
	2010	2009
	<i>(in millions of euros)</i>	
Interest instruments trading .....	43	(215)
Equity and commodity trading .....	91	126
Foreign exchange trading .....	162	216
Other .....	8	12
Total .....	<u>304</u>	<u>139</u>

Net trading income for the year ended 31 December 2010 increased by EUR 165 million, or 119%, to EUR 304 million, as compared to EUR 139 million for the year ended 31 December 2009. This increase was mainly due to higher income from interest instruments trading and lower credit value adjustments losses (counterparty risk related to interest rate derivatives) in Commercial & Merchant Banking.



### Results from financial transactions

The following table sets out the results from financial transactions for ABN AMRO for the years ended 31 December 2010 and 2009:

	Year ended 31 December	
	2010	2009
	<i>(in millions of euros)</i>	
Net result on the sale of available-for-sale debt securities .....	92	102
Net result on the sale of available-for-sale equity investments.....	1	7
Net result on the sale of loans and advances .....	-	(15)
Impairments of available-for-sale debt securities .....	-	(7)
Impairments of available-for-sale equity investments .....	(4)	-
<i>Other net results:</i>		
Other equity investments .....	49	24
Government bonds .....	(30)	2
Dividends .....	9	12
Fair value changes in own credit risk and repurchase of own debt .....	182	59
Risk mitigants .....	9	(28)
Other .....	22	47
<b>Total.....</b>	<b>330</b>	<b>203</b>

Results from financial transactions for the year ended 31 December 2010 increased by EUR 127 million, or 63%, to EUR 330 million, as compared to EUR 203 million for the year ended 31 December 2009. This increase was mainly driven by the gain on the buyback of subordinated debt (EUR 175 million pre-tax) and dividends, favorable revaluations and exits within the private equity portfolio compared to 2009. In 2009, results from financial transactions included a EUR 59 million gain on the buyback of covered bonds.

### Operating expenses

Underlying operating expenses for the year ended 31 December 2010 increased by EUR 96 million, or 2%, to EUR 5,335 million, as compared to EUR 5,239 million for the year ended 31 December 2009 (which excludes the net EUR 894 million (pre tax) operating expenses adjustment reflecting the EUR 911 million of separation and integration items in 2010 and EUR 310 million in 2009). This increase was due to several large legal provisions and expenses relating to international activities conducted in the past by Commercial & Merchant Banking and Retail & Private Banking.

The underlying cost/income ratio improved to 70%, compared to 75% for 2009. Excluding the legal provisions and expenses and the gain on the buyback of own debt (both recorded in 2010), the cost/income ratio would have been 67% in 2010 compared with 73% in 2009.

### Loan impairments and other credit risk provisions

Loan impairments and other credit risk provisions for the year ended 31 December 2010 decreased by EUR 748 million, or 47%, to EUR 837 million, as compared to EUR 1,585 million for the year ended 31 December 2009.

Loan impairments in Retail & Private Banking decreased sharply, mainly in Private Banking International (including the International Diamond & Jewelry Group). Loan impairments on the

mortgage portfolio, which is 58% of the total client loan portfolio, decreased year-on-year. Commercial & Merchant Banking recorded significantly lower loan impairments in Large Corporates & Merchant Banking and Business Banking. Loan impairments in Group Functions were significantly lower due to the divested activities.

## Results of operations by segment for the years ended 31 December 2010 and 2009

### Retail & Private Banking

The following table sets forth the condensed income statement for the Retail & Private Banking segments for the years ended 31 December 2010 and 2009:

	Year ended 31 December					
	2010			2009		
	(Reported)	(Reconciling)	(Underlying)	(Reported)	(Reconciling)	(Underlying)
	<i>(in millions of euros)</i>					
Net interest income .....	3,430	-	3,430	3,118	-	3,118
Non-interest income .....	1,335	-	1,335	1,222	-	1,222
Operating income .....	4,765	-	4,765	4,340	-	4,340
Operating expenses .....	2,896	75	2,821	2,907	30	2,877
Loan impairments .....	342	-	342	540	-	540
Total expenses	3,238	75	3,163	3,447	30	3,417
<i>Profit / (loss) before taxation ...</i>	1,527	(75)	1,602	893	(30)	923
Income tax expense .....	392	(19)	411	250	(8)	258
<i>Profit / (loss) for the period .....</i>	1,135	(56)	1,191	643	(22)	665
Cost/income ratio .....	61%		59%	67%		66%

	As at 31 December	
	2010	2009
Loans and receivables – customers (in EUR million) .....	183,971 <sup>(1)</sup>	187,738
Due to customers (in EUR million) .....	123,200 <sup>(1)</sup>	126,126
Assets Under Management (in EUR billion) .....	164.2	149.7
Risk Weighted Assets (in EUR million) .....	49,584	N/R
FTEs .....	11,132	12,580

<sup>(1)</sup> Unaudited and adjusted for harmonization as described in "The Issuer—Operating and Financial Review—Presentation of Financial Information—Harmonization of accounting policies" and extracted from Interim Financial Statements 2011. (2010 reported Loans and receivables – customers: EUR 185,782 million; 2010 reported Due to customers: EUR 125,011 million).

### Profit/(loss) for the periods

Underlying profit for the year ended 31 December 2010 increased by EUR 526 million, or 79%, to EUR 1,191 million, as compared to EUR 665 million for the year ended 31 December 2009 (which excludes the net impact of separation and integration related items of EUR 56 million (net-of-tax) in 2010 and EUR 22 million (net-of-tax) in 2009, respectively). This increase primarily is a result of a sharp rise in revenues, a decrease in costs and lower impairments.

### Operating income

Operating income for the year ended 31 December 2010 increased by EUR 425 million, or 10%, to EUR 4,765 million, as compared to EUR 4,340 million for the year ended 31 December 2009. This increase came as a result of a 10% increase in net interest income and a 9% rise in non-interest income. More than 70% of Retail & Private Banking's operating income consists of net interest income.

#### Net interest income

Net interest income for the year ended 31 December 2010 increased by EUR 312 million, or 10%, to EUR 3,430 million, as compared to EUR 3,118 million for the year ended 31 December 2009. Net interest income increased due to improved savings margins. Margins on saving deposits started to recover from the low levels in 2009 as low-margin fixed-rate deposits matured and were replaced by short-term variable-rate deposits with a higher margin. Margins on mortgage loans showed an increase in the first half of 2010.

#### Non-interest income

Non-interest income for the year ended 31 December 2010 increased by EUR 113 million, or 9%, to EUR 1,335 million, as compared to EUR 1,222 million for the year ended 31 December 2009. The increase in non-interest income was due mainly to higher net fees and commissions, which accounts for more than 85% of non-interest income, as a result of a recovery of stock markets. This is reflected in higher assets under management which increased by EUR 14.5 billion to EUR 164.2 billion<sup>5</sup>. In addition, EUR 50 million non-interest income from the joint venture with Delta Lloyd, previously included in Group Functions, was included in Retail & Private Banking in 2010.

#### *Operating expenses*

Underlying operating expenses for the year ended 31 December 2010 decreased slightly by EUR 56 million, or 2%, to EUR 2,821 million, as compared to EUR 2,877 million for the year ended 31 December 2009 (which excludes the separation and integration related items of EUR 75 million (pre tax) in 2010 and EUR 30 million (pre tax) in 2009, respectively), despite legal provisions and expenses for the international Private Banking activities in 2010. This is the result of continued cost management combined with a reduction in the number of FTEs. The number of FTEs declined by 1,448, or 12%, compared with 2009. The majority of the decline in FTEs was recorded in the fourth quarter of 2010 following the integration of 146 branches in The Netherlands.

The underlying cost/income ratio improved to 59% from 66% as a result of a sharp rise in revenues and a decrease in costs (on a reported basis, 2010: 61%; 2009: 67%).

#### *Loan impairments and other credit risk provisions*

Loan impairments for the year ended 31 December 2010 decreased by EUR 198 million, or 37%, to EUR 342 million, as compared to EUR 540 million for the year ended 31 December 2009. Loan impairments in the Dutch mortgage portfolio, which represents 58% of the total loan book

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<sup>5</sup> As of the third quarter of 2010, AuM includes assets of French activities (EUR 5.2 billion) previously not included.

of ABN AMRO, declined modestly. A small increase in the consumer loan portfolio impairments was recorded in line with its volume growth. Loan impairments in 2009 included specific provisions for loan impairments in the Private Banking International portfolio.

### **Commercial & Merchant Banking**

The following table sets forth the condensed income statement for the Commercial & Merchant Banking segments for the years ended 31 December 2010 and 2009:

	Year ended 31 December					
	2010			2009		
	(Reported)	(Reconciling)	(Underlying)	(Reported)	(Reconciling)	(Underlying)
	(in millions of euros)					
Net interest income .....	1,589	-	1,589	1,513	-	1,513
Non-interest income .....	1,086	-	1,086	919	-	919
Operating income .....	2,675	-	2,675	2,432	-	2,432
Operating expenses .....	2,006	9	1,997	1,617	25	1,592
Loan impairments .....	518	-	518	872	-	872
Total expenses	2,524	9	2,515	2,489	25	2,464
Profit / (loss) before taxation ...	151	(9)	160	(57)	(25)	(32)
Income tax expense .....	(14)	(2)	(12)	(81)	(6)	(75)
Profit / (loss) for the period .....	165	(7)	172	24	(19)	43
Cost/income ratio .....	75%		75%	66%		65%

	Year ended 31 December	
	2010	2009
Loans and receivables – customers (in EUR million).....	84,745	77,749
Due to customers (in EUR million).....	76,679	61,216
Risk Weighted Assets .....	61,379	-
FTEs .....	5,849	6,129

### *Profit/(loss) for the periods*

Underlying profit for the year ended 31 December 2010 increased by EUR 129 million, or 300%, to EUR 172 million, as compared to EUR 43 million for the year ended 31 December 2009 (which excludes the net impact of separation and integration related items of EUR 7 million (net-of-tax) in 2010 and EUR 19 million (net-of-tax) in 2009, respectively). This increase primarily resulted from lower loan impairments and higher operating income, and was partly offset by higher underlying operating expenses.

### *Operating income*

Operating income for the year ended 31 December 2010 increased by EUR 243 million, or 10%, to EUR 2,675 million, as compared to EUR 2,432 million for the year ended 31 December 2009.

### Net interest income

Net interest income for the year ended 31 December 2010 increased by EUR 76 million, or 5%, to EUR 1,589 million, as compared to EUR 1,513 million for the year ended 31 December 2009. The increase in net interest income was mainly due to higher interest revenues in Business Banking and ECT. Business Banking benefited from higher margins on its loan portfolio and client deposits, a trend similar to the development of Retail & Private Banking, while ECT grew its loan portfolio by 7%. This increase was partly offset by lower interest income in Markets as a result of volatile market conditions and a decrease in equity derivatives activities.

#### Non-interest income

Non-interest income for the year ended 31 December 2010 increased by EUR 167 million, or 18%, to EUR 1,086 million, as compared to EUR 919 million for the year ended 31 December 2009. This was mainly a result of overall higher trading income in Markets in 2010, partially resulting from lower credit value adjustments losses (counterparty risk related to interest rate derivatives) year-on-year. Higher revenues were also recognized at ABN AMRO Clearing mainly driven by the incorporation of the US activities and growth in Asia. Further improvements in non-interest income compared to 2009 were recorded as a consequence of dividends, favorable revaluations and exits within the private equity portfolio.

#### *Operating expenses*

Underlying operating expenses for the year ended 31 December 2010 increased by EUR 405 million, or 25%, to EUR 1,997 million, as compared to EUR 1,592 million for the year ended 31 December 2009 (which excludes the separation and integration related items of EUR 9 million (pre tax) in 2010 and EUR 25 million (pre tax) in 2009, respectively). This increase was mainly due to legal provisions and expenses and a goodwill impairment of EUR 30 million. Excluding the legal provisions and expenses, underlying operating expenses would still have shown a marked increase compared with the previous year. This is a result of higher staff costs at ABN AMRO Clearing (higher FTEs and incorporation of US activities), a higher allocation of Group Functions costs and costs related to the start-up of several activities designed to rebuild both the product offering and the international network for servicing Dutch clients.

The underlying cost/income ratio increased from 65% in 2009 to 75% in 2010 (on a reported basis, 2010: 75%; 2009: 66%) mainly due to the abovementioned legal provisions and expenses. Excluding these, the underlying cost/income ratio would have increased only marginally.

#### *Loan impairments and other credit risk provisions*

Loan impairments for the year ended 31 December 2010 decreased by EUR 354 million, or 41%, to EUR 518 million, as compared to EUR 872 million for the year ended 31 December 2009. The most significant improvements were in the Business Banking and LC&MB portfolios.

## Group Functions

The majority of the costs of Group Functions are allocated to the businesses. The results of Group Functions include the results of ALM/Treasury.

The following table sets forth the condensed income statement for the Group Functions segments for the years ended 31 December 2010 and 2009:

	Year ended 31 December					
	2010			2009		
	<i>(Reported)</i>	<i>(Reconciling)</i>	<i>(Underlying)</i>	<i>(Reported)</i>	<i>(Reconciling)</i>	<i>(Underlying)</i>
	<i>(in millions of euros)</i>					
Net interest income .....	(111)	-	(111)	(375)	-	(375)
Non-interest income .....	(532)	(862)	330	952	363	589
Operating income .....	(643)	(862)	219	577	363	214
Operating expenses .....	1,327	810	517	1,025	255	770
Loan impairments.....	(23)	-	(23)	173	-	173
Total expenses	1,304	810	494	1,198	255	943
<i>Profit / (loss) before taxation ...</i>	<i>(1,947)</i>	<i>(1,672)</i>	<i>(275)</i>	<i>(621)</i>	<i>108</i>	<i>(729)</i>
Income tax expense.....	(233)	(244)	11	(228)	(65)	(163)
<i>Profit / (loss) for the period.....</i>	<i>(1,714)</i>	<i>(1,428)</i>	<i>(286)</i>	<i>(393)</i>	<i>173</i>	<i>(566)</i>

	As at 31 December	
	2010	2009
Risk Weighted Assets .....	5,365	-
FTEs.....	9,180	10,842

### *Profit/(loss) for the periods*

Underlying profit for the year ended 31 December 2010 increased by EUR 280 million, or 49%, to a loss of EUR 286 million, as compared to a loss of EUR 566 million for the year ended 31 December 2009 (which excludes the net adverse impact of the EC Remedy and other separation and integration costs of EUR 1,428 million (net-of-tax) in 2010 and the 2009 positive impact of EUR 173 million (net-of-tax) in 2009, respectively). This improvement was mainly driven by the increase in net interest income. Loss for the period in 2010 includes a EUR 130 million net-of-tax gain on the buyback of own debt.

### *Operating income*

Underlying operating income for the year ended 31 December 2010 increased by EUR 5 million, or 2%, to EUR 219 million, as compared to EUR 214 million for the year ended 31 December 2009 (which excludes the negative income of EUR 862 million due to separation and integration related items in 2010 and the positive impact of EUR 363 million in 2009, respectively).

### Net interest income

Net interest income for the year ended 31 December 2010 improved by EUR 264 million, or 70%, to a loss of EUR 111 million, as compared to a loss of EUR 375 million for the year ended 31 December 2009.

This was mainly the result of an increase of the mismatch result. In addition, in 2009 the replacement of short-term funding temporarily provided by the Dutch State at the end of 2008 was realized at a high cost due to the shortage of liquidity in that period. In 2010, higher liquidity costs were charged to the businesses. The improvement in net interest income was achieved in spite of higher funding costs and the negative impact in 2010 of the divestment of activities. Divested activities<sup>6</sup> recorded net interest income of EUR 68 million in 2010 compared with EUR 268 million in 2009. In addition, interest costs for the EUR 2.6 billion of mandatory convertible securities issued to the Dutch State amounted to EUR 65 million in 2010 compared with EUR 38 million in 2009. These securities converted into equity on 1 April 2010.

### Non-interest income

Underlying non-interest income for the year ended 31 December 2010 decreased by EUR 259 million, or 44%, to EUR 330 million, as compared to EUR 589 million for the year ended 31 December 2009 (which excludes the negative income of EUR 862 million (pre tax) due to separation and integration related items in 2010 and the positive impact of EUR 363 million (tax exempt) in 2009, respectively).

This decrease can mainly be attributed to the divested activities. The 2009 results included EUR 302 million of non-interest income (including a book gain on the sale of Intertrust of EUR 81 million) from the divested activities compared with EUR 26 million in 2010. In addition, fees paid for credit protection bought from the Dutch State on a portfolio of own originated residential mortgage loans (terminated on 31 October 2010) were higher year-on-year. These costs amounted to EUR 138 million in 2010 compared with EUR 56 million in 2009. The 2009 results also included a large gain (EUR 84 million) on the sale of part of the investment portfolio. Lastly, non-interest income from the joint venture with Delta Lloyd (EUR 56 million) was booked in Group Functions in 2009. As from 2010, this is recorded in Retail & Private Banking. The decline was partly offset by a EUR 175 million pre-tax gain on the buyback of GBP 600 million of own debt (an upper Tier 2 instrument), a release of part of the obligation for the Credit Umbrella (the financial guarantee that covers part of the potential credit losses on the EC Remedy assets) of EUR 50 million in line with the general improvement seen in the Dutch economy and improved results on various hedge accounting programs.

### *Operating expenses*

Underlying operating expenses for the year ended 31 December 2010 decreased by EUR 253 million, or 33%, to EUR 517 million, as compared to EUR 770 million for the year ended 31 December 2009 (which excludes the net separation and integration related items of EUR 810 million (pre tax) in 2010 and EUR 255 million (pre tax) in 2009, respectively). This decrease was primarily due to the divested activities (operating expenses were EUR 429 million in 2009 and EUR 79 million in 2010) which were partially offset by higher costs (such as central functions and IT infrastructure) related to the set-up of two standalone banks in the first half of 2010. The total costs for the Dutch Deposit Guarantee Scheme in 2009 were EUR 95 million, of which EUR

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<sup>6</sup> The operating results of New HBU II N.V. and IFN Finance B.V. (sold together under the EC Remedy on 1 April 2010) and the operating results and transaction result upon the sale of Intertrust (sale completed 29 December 2009) (together the "divested activities"), have been included in the segment Group Function until the date of completion of the divestment. The operating results of PFS are also included in Group Functions, the sale of which closed in the first half of 2011.

71 million was included in the underlying operating expenses of Group Functions. The remaining EUR 24 million was booked in the business.

*Loan impairments and other credit risk provisions*

Loan impairments for the year ended 31 December 2010 decreased by EUR 196 million, or 113%, to a release of EUR 23 million, as compared to EUR 173 million for the year ended 31 December 2009. This was mainly due to the divested activities.

**Selected Consolidated Balance Sheet Data as at 31 December 2010 and 2009**

The following discussion reflects the accounting harmonization described in "—Presentation of Financial Information—Harmonization of accounting policies", which led to netting adjustments and reclassifications of certain line items in the consolidated statement of financial position.

The following table sets out significant balance sheet category of movements between 31 December 2010 and 2009:

	<b>At 31 December</b>	
	<b>2010</b>	<b>2009</b>
	<i>(in millions of euros)</i>	
<b>Assets</b>		
Cash and balances at central banks .....	906	4,368
Financial assets held for trading .....	24,300	20,342
Financial investments .....	20,197	20,763
Loans and receivables – banks .....	41,117	45,062
Loans and receivables – customers .....	273,944 <sup>(1)</sup>	280,729
Other .....	16,818 <sup>(1)</sup>	15,260
Total assets .....	<u>377,282<sup>(1)</sup></u>	<u>386,524</u>
<b>Liabilities</b>		
Financial liabilities held for trading .....	19,982	26,951
Due to banks .....	21,536	37,387
Due to customers .....	209,466 <sup>(1)</sup>	210,748
Issued debt .....	86,591	70,837
Subordinated liabilities .....	8,085	11,747
Other .....	19,510 <sup>(1)</sup>	19,899
Total liabilities .....	<u>365,170<sup>(1)</sup></u>	<u>377,569</u>
<b>Equity</b>		
Equity attributable to shareholders of the parent company .....	12,099	8,733
Equity attributable to minority interests .....	13	222
Total equity .....	<u>12,112</u>	<u>8,955</u>
Total liabilities and equity .....	<u>377,282<sup>(1)</sup></u>	<u>386,524</u>

<sup>(1)</sup> Unaudited and adjusted for harmonization as described in "The Issuer—Operating and Financial Review—Presentation of Financial Information—Harmonization of accounting policies" and extracted from Interim Financial Statements 2011. (2010 reported Loans and receivables – customers: EUR 275,755 million; 2010 reported Other (Assets): EUR 17,324 million; 2010 reported total assets: EUR 379,599 million; 2010 reported Due to customers: EUR 211,277 million; 2010 reported Other (Liabilities): EUR 20,016 million; 2010 reported Total liabilities: EUR 367,487 million; 2010 reported Total liabilities and equity: EUR 379,599 million).



### ***Total assets***

Total assets decreased by EUR 9.2 billion, from EUR 386.5 billion at 31 December 2009 to EUR 377.3 billion (on a harmonized basis) at 31 December 2010. Adjusted for the EC Remedy divestment, total assets increased from EUR 375.1 billion to EUR 377.3 billion (increase of EUR 2.2 billion).

### ***Financial assets held for trading***

Financial assets held for trading at 31 December 2010 increased by EUR 4.0 billion, or 20%, to EUR 24.3 billion, as compared to EUR 20.3 billion at 31 December 2009. This increase was a result of an increase in government bonds in the trading portfolio.

### ***Loans and receivables – banks***

Total loans and receivables – banks decreased by EUR 3.9 billion, or 9%, to EUR 41.1 billion at 31 December 2010, as compared to EUR 45.1 billion at 31 December 2009. This increase was mainly due mainly to a settlement of EUR 16.4 billion with RBS N.V. following the Legal Separation in the first half of 2010. This decrease was partly offset by higher securities borrowing transactions and increased volumes in clearing activities.

### ***Loans and receivables – customers***

Loans and Receivables – customers decreased by EUR 6.8 billion at 31 December 2010, or 2.4%, to EUR 273.9 billion (on a harmonized basis), as compared to EUR 280.7 billion at 31 December 2009.

Adjusted for the EC Remedy divestment, Loans and receivables - customers grew from EUR 270.2 billion to EUR 273.9 billion (increase of EUR 3.7 billion), mainly as a result of growth in the commercial loan portfolio and repurchase agreements of Commercial & Merchant Banking. This increase was partly offset by reduced volumes in securities borrowing transactions compared with 2009. The majority of Loans and receivables - customers are prime residential mortgage loans, mainly Dutch, amounting to EUR 159.5 billion at the end of December 2010, almost unchanged compared with year-end 2009.

### ***Financial liabilities held for trading***

Financial liabilities held for trading decreased by EUR 7.0 billion to EUR 20.0 billion at 31 December 2010, as compared to EUR 27.0 billion at 31 December 2009, due chiefly to a decline in short security positions and partly offset by an increase in derivatives held for trading.

### ***Due to banks***

Due to banks decreased by EUR 15.9 billion to EUR 21.5 billion at 31 December 2010, as compared to EUR 37.4 billion at 31 December 2009, as ECB funding was redeemed in full (see “The Issuer—Liquidity & Funding—Funding issuance in 2011”) and securities lending transactions were significantly reduced.

### ***Due to customers***

Due to customers declined by EUR 1.3 billion at 31 December 2010 to EUR 209.5 billion (on a harmonized basis) as compared to EUR 210.7 billion at 31 December 2009. Adjusted for the EC Remedy divestment, Due to customers increased by EUR 10.0 billion in 2010, mainly due to an increase in repurchase agreements.

### ***Issued debt***

At 31 December 2010, ABN AMRO had issued debt securities in the amount of EUR 86.6 billion, which represented an increase of EUR 15.8 billion, or 22%, compared to EUR 70.8 billion at 31 December 2009. This increase was driven by continued financing initiatives undertaken to further lengthen maturities of wholesale funding and by prudent liquidity management.

### ***Subordinated liabilities***

Subordinated liabilities at 31 December 2010 decreased by EUR 3.7 billion, or 32%, to EUR 8.1 billion, as compared to EUR 11.7 billion at 31 December 2009. This was primarily due to the conversions of EUR 2.6 billion of mandatory convertible securities held by the Dutch State into Equity, the buyback of a perpetual subordinated loan (upper Tier 2) of GBP 600 million, and the redemption of the remainder of EUR 87.5 million in outstanding securities of ABN AMRO Capital Finance Limited (previously called Fortis Capital Company Limited or FCC), a subsidiary of ABN AMRO.

### ***Total equity***

At 31 December 2010, shareholders' equity increased by EUR 3.1 billion to EUR 12.1 billion as compared to EUR 9.0 billion at 31 December 2009. This increase was the result of the conversions of EUR 2.6 billion of mandatory convertible securities held by the Dutch State into equity, the remaining capital injection by the Dutch State of EUR 490 million (part of the capital actions agreed with the Dutch State in 2009), the replacement of EUR 210 million of preference shares of FBN by ABN AMRO Group, an increase of the available for sale reserve of EUR 136 million and the result over 2010 of EUR 414 million negative.

### ***Retail & Private Banking***

Loans and receivables – customers and Due to Customers of Retail & Private Banking decreased by EUR 3.8 billion and EUR 2.9 billion respectively (in each case after harmonization), mainly as a result of the transfer of SME clients to Commercial & Merchant Banking in the last quarter of 2010 (impact EUR 1.5 billion on loans and EUR 2.8 billion on deposits). Excluding this transfer and the harmonization effect, the loan portfolio of R&PB remained fairly stable in 2010. Both mortgage and consumer lending volumes increased marginally despite a more than 10% decline in volume of new Dutch mortgage loans in 2010 compared to 2009. The increase in consumer lending volumes occurred mainly in the second half of 2010 as a result of increased consumer spending.

Excluding the above mentioned transfer and the harmonization effect, R&PB deposits from clients increased by EUR 1.7 billion or 1%. After a steady increase in the first half of 2010 client deposits declined in the second half of 2010. This is in line with the observed trend of reduced savings due to increased consumer spending in the second half of 2010 and Private Banking

clients switching from deposits to investments. The overall market share in savings products remained stable.

### ***Commercial & Merchant Banking***

Loans and receivables – customers increased by more than EUR 7 billion or 9% year-on-year, mainly driven by a considerable growth in the Large Corporates and ECT loan portfolio and – to a lesser extent – the transfer of SME business volumes from Retail & Private Banking to Commercial & Merchant Banking in the last quarter of 2010 (impact EUR 1.5 billion on loans and EUR 2.8 billion on deposits). Due to Customers rose by EUR 15 billion or 25%. This increase was driven mainly by a sharp rise in securities financing transactions with clients compared to 2009 partially as a result of a heightened focus on core clients and the above-mentioned transfer of SME deposits from Retail & Private Banking to Commercial & Merchant Banking in the last quarter of 2010.

## **4.6 Other references**

### **Liquidity and Funding**

For information with respect to liquidity and funding of ABN AMRO during this period, see "The Issuer—Liquidity and Funding".

### **Risk Management and Capital Management**

For information with respect to risk management and capital adequacy, see "The Issuer—Risk Management" and "The Issuer—Capital Management".

### **Critical Accounting Policies**

For critical accounting policies and changes contained in accounting rules, see "General Information" in Note 1 of the Interim Financial Statements 2011 and "Accounting Policies" in Note 1 of the Annual Financial Statements 2010.

## **4.7 Related Party Transactions**

For information with respect to transactions with related parties, including the Dutch State, see "Related parties" in Note 18 to the Interim Financial Statements 2011 and "Related parties" in Note 43 in the Annual Financial Statements 2010.

## 5 LIQUIDITY AND FUNDING

*The reported results for the year ended and as at 31 December 2010 and 2009 included in "The Issuer—Liquidity and Funding" were extracted from the audited Annual Financial Statements 2010 of ABN AMRO Group N.V. The reported results for the six month period ended and as at 30 June 2011 and as at 31 December 2010 were extracted from the reviewed Interim Financial Statements 2011. Underlying results and reconciling items, where included, have been extracted from management accounts and have neither been audited nor reviewed (as applicable) by the independent auditors.*

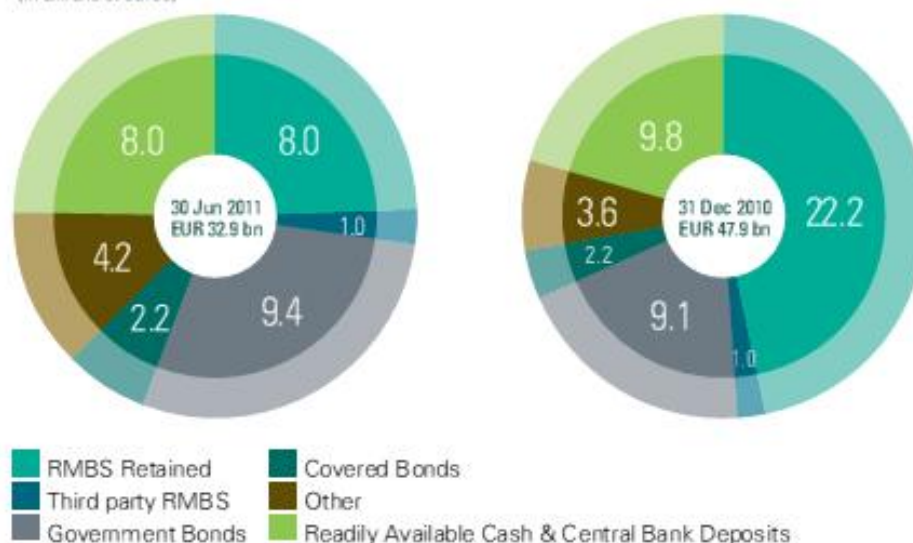
*Certain line items extracted from ABN AMRO's condensed consolidated statement of financial position as at 31 December 2010 included in the Interim Financial Statements 2011 and included in the discussion below have been subject to further refinement of accounting harmonization, leading to netting adjustments and reclassifications of these line items in the consolidated statement of financial position as at 31 December 2010 contained in the Annual Financial Statements 2010. This further refinement has occurred subsequent to 31 December 2010 and is applied retrospectively as at 31 December 2010 in the discussion below and in the Interim Financial Statements 2011, as explained further above under "The Issuer—Operating and Financial Review—Presentation of Financial Information—Harmonization of accounting policies". This refinement does not have an impact on the income statement of ABN AMRO. Corresponding adjustments have not been made to the consolidated statement of financial position as at 31 December 2009.*

### 5.1 Liquidity

#### Liquidity Buffer

A liquidity buffer serves as a safety cushion in the event of severe liquidity stress. Periodic internal and regulatory stress tests are performed to assess the necessary buffer size in multiple stress events. ABN AMRO's approach to liquidity risk management is described further in "The Issuer—Risk Management—Liquidity". The liquidity buffer amounted to EUR 32.9 billion in liquidity value on 30 June 2011, compared with EUR 47.9 billion on 31 December 2010. The composition of the liquidity buffer is shown in the chart below:

### Composition of the liquidity buffer (in billions of euros)



ABN AMRO securitizes a portion of its in-house originated mortgage loans for liquidity purposes. Certain tranches of these securitized notes were sold to investors, while others were retained. The retained securitisation notes can be used as collateral for various activities including ECB tenders, long-term repos and for daily payment capacity. The total outstanding of Residential Mortgage Backed Securitisations ("RMBS") notes backed by in-house originated mortgage loans was EUR 50.4 billion (of which EUR 26.8 billion was placed externally) on 30 June 2011 (EUR 71.4 billion at year-end 2010). The decrease in the total outstanding RMBS notes as well as the buffer is mainly a result of the cancellation and restructuring of certain tranches of retained RMBS notes. These notes lost their ECB eligibility in March 2011 due to new legislation which requires at least two credit ratings in order for notes to be eligible collateral at the ECB. Following the restructuring, the new notes were issued under the newest technology available in master issuer structures. New Fishbowl notes were launched on 14 July 2011 and provide an additional liquidity value of EUR 7.2 billion to the liquidity buffer as at 31 August 2011.

ABN AMRO is taking steps to align the liquidity buffer size and composition with the expected Basel III requirements for the Liquidity Coverage Ratio ("LCR"). RMBS are currently not included in the highly liquid assets definition in the LCR. ABN AMRO, however, maintains these assets in its current liquidity buffer as these RMBS notes are still ECB eligible and are accounted for in the current regulatory liquidity requirement.

### Liquidity Indicators

ABN AMRO uses specific indicators to measure developments in its liquidity position, the most important of which are described in this section. To ensure sound liquidity management, these indicators should be considered in combination with the funding diversification and the maturity profile, which are mentioned below.

The issuance of new Fishbowl notes improves the SF/NLA, the regulatory liquidity requirement and the survival period (each as described below) from August 2011.

### **LtD Ratio**

The loan-to-deposit ratio ("**LtD ratio**") measures the relative size of the customer loan book compared with customer deposits. The LtD ratio improved to 134.0% on 30 June 2011 from 135.2% on 31 December 2010, due to stable deposit levels and a slight decrease in the residential mortgage loan book, which resulted in a slightly lower dependency on wholesale funding markets. The following table details the evolution of ABN AMRO's LtD ratio during the period under review.

	<b>At 30 June 2011</b>	<b>At 31 December 2010</b>	<b>At 31 December 2009</b>
		<i>(in millions of euros)</i>	
Residential mortgages (including fair value adjustment from hedge accounting) .....	159,544	163,813 <sup>(1)</sup>	162,691
Commercial loans (including fair value adjustment from hedge accounting) .....	74,233	73,616 <sup>(1)</sup>	79,748
Consumer loans .....	13,441	13,820 <sup>(1)</sup>	13,841
Other loans .....	5,003	3,143 <sup>(1)</sup>	5,753
<b>Total Loans</b> .....	<b>252,222</b>	<b>254,391<sup>(1)</sup></b>	<b>262,033</b>
Demand deposits .....	77,801	80,669 <sup>(1)</sup>	85,913
Saving deposits .....	72,500	69,763	67,966
Time and other deposits (excluding deposit of Dutch State Treasury) .....	37,865	37,671	43,757
<b>Total deposits</b> .....	<b>188,166</b>	<b>188,103<sup>(1)</sup></b>	<b>197,636</b>
<b>LtD ratio</b> .....	<b>134.0%</b>	<b>135.2%<sup>(1)</sup></b>	<b>132.6%</b>

<sup>(1)</sup> Unaudited and adjusted for harmonization as described in "The Issuer—Operating and Financial Review—Presentation of Financial Information—Harmonization of accounting policies" and extracted from Interim Financial Statements 2011. (2010 reported Residential mortgages: EUR 163,341 million; 2010 reported Commercial loans: EUR 74,042 million; 2010 reported Consumer loans: EUR 13,859 million; 2010 reported Other loans: EUR 4,960 million; 2010 reported Total loans: EUR 256,202 million; 2010 reported Demand deposits: EUR 82,480 million; 2010 reported Total deposits: EUR 189,914 million; 2010 reported LtD ratio: 134.9%).

### **SF/NLA**

The internally developed stable funding over non-liquid assets ratio ("**SF/NLA**") shows the extent to which core assets are covered by core liabilities. The SF/NLA deteriorated to 100.4% on 30 June 2011 compared with 104.2% on 31 December 2010.

The decrease in this indicator is temporary and relates to the previously described restructuring of RMBS notes, which resulted in an increase of non-liquid assets.

### **Regulatory liquidity requirement**

The regulatory liquidity requirement measures the one-month liquidity position in the scenario of a severe and short stress as defined by DNB. It requires the one-month liquidity position to always exceed the minimum required regulatory level of zero. The outcome of the regulatory liquidity requirement at 30 June 2011 was EUR 9.8 billion compared with EUR 44.0 billion at 31 December 2010.

The decrease results from both changed specifications of the regulatory liquidity as of May 2011, as a result of which retained RMBS receives a lower liquidity value, and the previously described restructuring of RMBS notes. ABN AMRO still comfortably met the regulatory minimum requirement set by DNB at 30 June 2011.

### ***Survival period***

The survival period indicates for what period the liquidity position of ABN AMRO will remain positive in a situation where stress is observed in professional funding markets, but funds attracted through clients remain stable. The survival period was 180 days at 30 June 2011 compared with 340 days at 31 December 2010 and is also temporarily impacted by the restructuring of RBMS notes. The outcome of the survival period is still comfortably above the internally set minimum requirement.

### ***Basel III liquidity indicators***

The Basel III liquidity ratios are monitored and based on current available documentation. At present, the Liquidity Coverage Ratio ("**LCR**") and Net Stable Funding Ratio ("**NSFR**") are reported to regulators as part of the Basel III observation period, during which these indicators will be further finetuned by the regulatory authorities. Initiatives are being taken to prepare the business and the product portfolio for the transition to Basel III. ABN AMRO targets compliance with Basel III liquidity regulation by 2013 at the latest.

Regulatory minimum requirements for both the LCR and NSFR are expected to be 100% under Basel III. The LCR for ABN AMRO would be around 60%. The current regulatory liquidity requirement imposed by DNB was comfortably met. In the run-up to full Basel III implementation, ABN AMRO intends to actively manage both the regulatory liquidity and the LCR. The LCR can be steered relatively easily by for instance increasing the pool of highly liquid assets. The NSFR was around the minimum level of 100% as a result of the successful implementation of the funding strategy in the last two years, under which the volume of long-term funding increased in comparison to a decreasing volume of short-term funding. See "The Issuer—Capital Management—Regulatory Developments".

## **5.2 Funding**

### **Funding Strategy**

ABN AMRO's funding strategy is designed to strengthen its funding profile by extending maturities and diversification and is based on the following principles:

- Improve the long-term funding position and liquidity profile by simultaneously decreasing dependency on short-term funding (repair legacy issues in funding);
- Remain active in strategic issuance in core funding markets in Europe, the United States and the Asia-Pacific region;
- Establish strong relationships with investor base and strengthen investor base through active marketing and issuance;
- Be ready to enter capital markets at any time;

- Manage and control the maturity profile and corresponding debt issuance;
- Build and manage the credit curve and issuance levels; and
- Be a regular issuer in the abovementioned geographical regions.

#### Available funding programs for new issuances

Several programs are in place to attract both long- and short-term funding. An important goal of the funding strategy is to diversify funding sources. To that end, the set of funding tools includes a broad set of funding programs in different currencies, markets and maturities. Continuous assessment of this toolkit is performed to determine the optimal use of funding sources.

#### Unsecured short-term funding tools

Unsecured short-term funding tools include Euro Commercial Paper ("ECP"), French Certificats de Dépôt ("FCD"), US Commercial Paper, and from 6 July 2011, London Certificates of Deposit. The US Commercial Paper program is in the process of being expanded to USD 10 billion (from USD 5 billion). Total short-term funding attracted by the ECP, FCD and US Commercial Paper programs totalled EUR 15.0 billion at 30 June 2011, marginally down from EUR 15.6 billion at year-end 2010. Access to money markets was improved across all main financial centers through a wider range of counterparties in the first half of 2011.

The total outstanding balances as at 30 June 2011 and 31 December 2010 and 2009, as well as the average original maturity during the years ended 31 December 2010 and 2009, are shown in the table below.

Program	Size of program (in billions of euros)	Outstanding balance			Average original maturity	
		30 June 2011	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Euro Commercial Paper	EUR 25					
- unguaranteed		EUR 7.3	EUR 7.6	EUR 4.8	135 days	113 days
- guaranteed		-	-	EUR 6.3	N/R	310 days
French Certificats de Dépôt	EUR 25	EUR 4.3	EUR 4.3	EUR 3.0	137 days	103 days
US Commercial Paper	USD 5	EUR 3.4	EUR 3.7	-	129 days	N/R



### *Euro Commercial Paper*

This EUR 25 billion funding program for the issuance of ECP allows for unsecured issuances with maturities up to one year. In 2009 and 2010, this program also allowed for the issuance of ECP under the Dutch State's EUR 200 billion Credit Guarantee Scheme, which ended on 31 December 2010. In 2010, no government guaranteed commercial paper was issued. All government guaranteed commercial paper was redeemed in 2010.

### *French Certificats de Dépôt*

This EUR 25 billion funding program allows for the issuance of unsecured FCDs with maturities up to and including one year, targeting French institutional investors.

### *US Commercial Paper*

To improve diversification of short-term funding sources, this USD 5 billion funding program was set up to allow ABN AMRO to attract US dollars from local investors in the US. It permits unsecured issuances with maturities up to 270 days. As noted above, the US Commercial Paper program is in the process of being expanded to USD 10 billion.

### *London Certificates of Deposit*

To further improve diversification of short-term funding sources, this EUR 10 billion funding program was made available from 6 July 2011.

## ***Unsecured medium - to long-term funding tools***

### *Medium-Term Notes*

This program allows for the issuance of capital securities and medium-term notes in several currencies such as EUR, JPY, CHF, AUD, NOK and GBP. Currently ABN AMRO has three Medium Term Notes programs in place, the EMTN program, the 144A MTN program and the AUD Note Issuance Programme (undrawn as at 30 June 2011). At 30 June 2011, a total of EUR 16.2 billion was outstanding (up from EUR 11.1 billion at December 2010).

### *Government Guaranteed Bonds*

In 2009 ABN AMRO publicly and privately issued notes under the Dutch State's EUR 200 billion Credit Guarantee Scheme. Issuance under this program will not be done as from 2011. A total amount of EUR 4.9 billion of Dutch State guaranteed notes was outstanding at 30 June 2011 (year-end 2010 total amount of EUR 9.0 billion), whereby the decrease was due to a buy-back transaction (EUR 2.7 billion) and maturity of some notes (EUR 1.4 billion).

### *Private Investor Programs (PIP launch pad)*

The PIP programs allow ABN AMRO to raise unsecured funding through the retail and private banking investor base and hence promote diversification of funding sources. This program was revised in 2010 and has allowed the bank to attract EUR 387 million of long-term funding in the

year ended 31 December 2010. Funding raised through the PIP launch pad in the first half of 2011 was not material.

#### *Covered bond program*

ABN AMRO has had a covered bond program available since 2005 to attract secured long-term funding. This program contributes to the diversification of funding.

Covered bonds are secured by a pool of first-ranking Dutch residential mortgage loans originated by ABN AMRO or any of its relevant subsidiaries in The Netherlands, where the underlying residential real estate is owner-occupied.

The ABN AMRO covered bond program was registered with DNB on 14 August 2009. All outstanding issues under the program are CRD compliant and are full Undertakings for Collective Investment in Transferable Securities Directives ("UCITS") eligible and have AAA (or AAA-equivalent) ratings from Moody's, Standard & Poor's and Fitch Ratings.

On 30 June 2011, the total amount outstanding of the ABN AMRO covered bond program was EUR 24.1 billion, while at 31 December 2010; the total outstanding was EUR 19.7 billion.

In October 2011, the program was amended to permit issuances into the United States without registration in reliance on Rule 144A under the Securities Act.

#### ***Residential Mortgage Backed Securitisations***

Securitisation of mortgage loans has been a cornerstone of funding mortgage lending in The Netherlands. However, the public market for RMBS was at a standstill between 2007 and 2009, and picked up again in 2010, but remains fragile as of the date of this Base Prospectus.

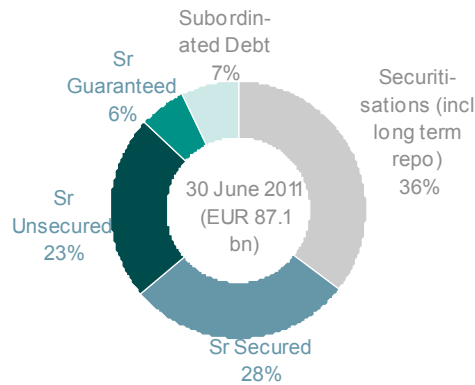
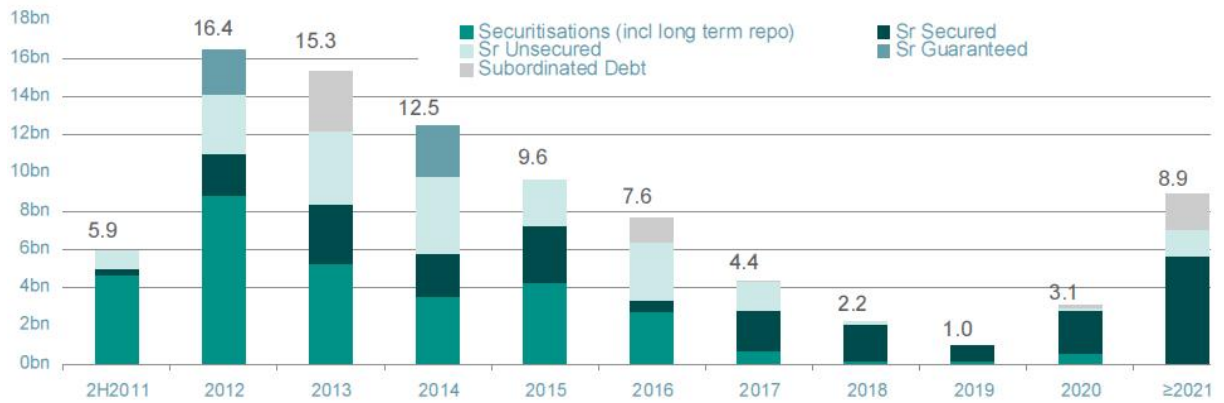
Securitisations have historically been an important source of funding for ABN AMRO. It allows ABN AMRO to convert its prime Dutch mortgage receivables into RMBS paper.

ABN AMRO securitizes a portion of its in house originated mortgage loans for liquidity purposes in a variety of different platforms: Goldfish Master Issuer B.V., Dolphin Master Issuer B.V., Beluga Master Issuer B.V., and various EMS and Delphinus stand-alone securitisation transactions. Certain tranches of these securitized notes were sold to investors, while others were retained.

The AAA-rated retained securitisation notes may be used as collateral for various activities including ECB tenders, long-term repos and for daily payment capacity. As described above in "– Liquidity", legislative changes have resulted in certain RMBS notes losing ECB eligibility. These platforms have been restructured to permit such eligibility with new notes being issued under the newest technology available in master issuer structures, referred to as "Fishbowl" notes. New Fishbowl notes were launched on 14 July 2011 and provide an additional liquidity value of EUR 7.2 billion to the liquidity buffer per August 2011.

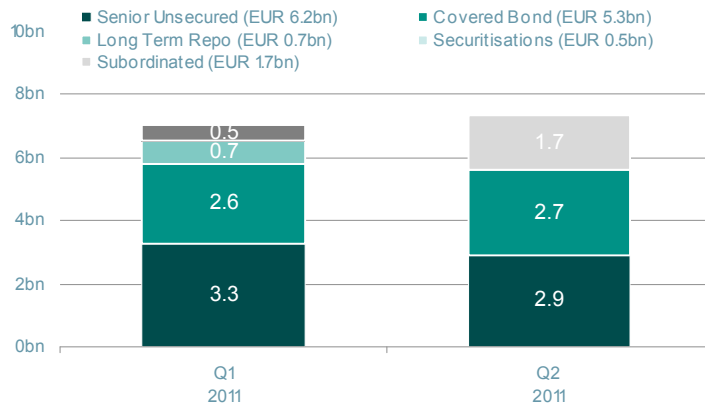
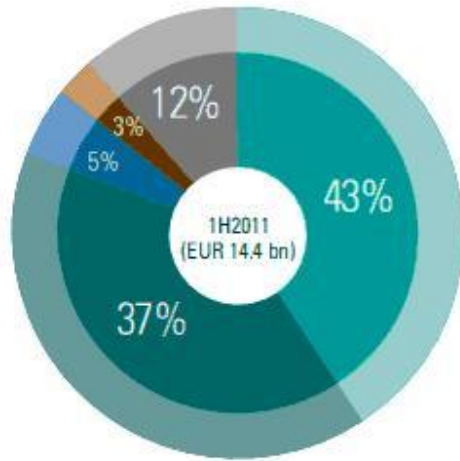
#### **Maturity Calendar and total outstanding of medium and long-term funding at 30 June 2011**

The graphs below displays both the maturity calendar of long-term funding and the funding diversification at 30 June 2011:



Following a successful refinancing exercise in 2010, several initiatives were undertaken to refinance different types of long-term maturing debt. An amount of EUR 12.4 billion was attracted and EUR 2.0 billion of funding's maturity was extended (termed out) in the first half of 2011. With these issuances, all maturing long-term funding of 2011 was refinanced in the first half of 2011 in accordance with the funding plan. Nearly one fourth of attracted funding was raised in currencies other than the Euro.

## Medium and long-term issued in 1H 2011



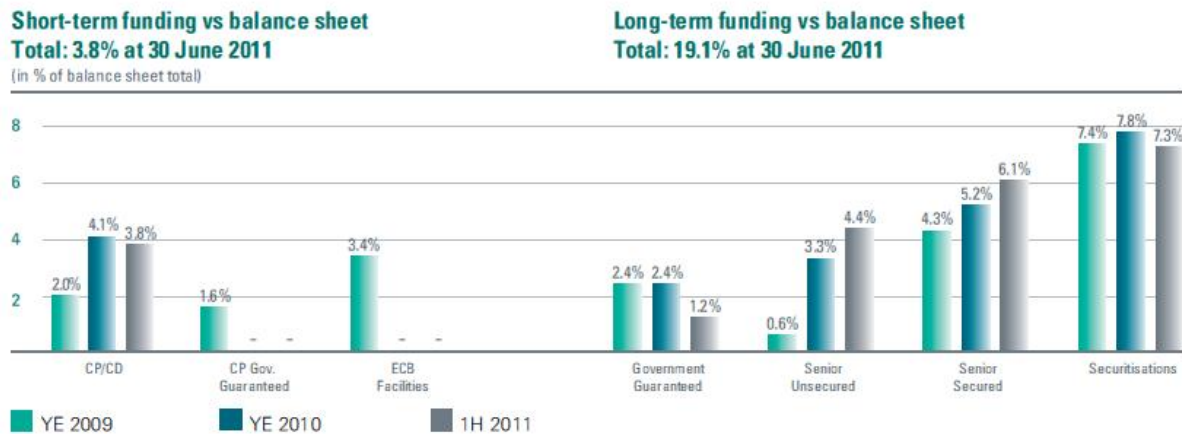
### Funding issuance in 2011

In the first half of 2011, nine benchmark transactions raised a total of EUR 8.4 billion of funding via various funding sources. Benchmarks were done in senior unsecured (EUR 2.5 billion), via Covered Bond issuance (EUR 4.1 billion) and through a public sale of RMBS notes (EUR 0.5 billion). Additionally, the inaugural transaction under the 144A MTN program targeted at US investors raised USD 2.0 billion of funding and improved geographical diversification. In addition, EUR 1.7 billion of subordinated loans were issued, constituting a combination of new funding and terming out already existing funding, thereby further improving the maturity profile. The remainder of funding was attracted through private placements.

Active liability management in April 2011 resulted in a buyback of EUR 2.7 billion of Government Guaranteed Bonds ("GGB"), guaranteed by the Dutch State. This contributed to the reduced usage of the GGB program (total outstanding EUR 4.9 billion at 30 June 2011).

The US Commercial Paper program is in the process of being expanded to USD 10 billion (from USD 5 billion). Furthermore, London Certificates of Deposit became available as from 6 July 2011 as a new funding tool, further improving diversification in short-term funding tools. Total short-term funding attracted by the ECP, FCD and US Commercial Paper programs totalled EUR 15.2 billion at 30 June 2011, marginally down from EUR 15.6 billion at year-end 2010. Access to money markets was improved across all main financial centers through a wider range of counterparties in the first half of 2011.

The graph below shows the development in funding sources relative to balance sheet size. In 2010, ECB funding (EUR 13.0 billion) and government guaranteed commercial paper (EUR 6.3 billion) were fully redeemed, by which ABN AMRO returned largely towards unsupported funding sources. The usage of senior unsecured increased considerably. The portion of short-term program funding decreased compared with long-term funding over the last two years.



### Funding issuance in 2010

A total of EUR 26.3 billion in long-term funding was attracted in 2010. As EUR 10.1 billion of long-term funding matured in 2010, the maturity profile improved significantly. Several long-term financing initiatives were undertaken in 2010 to refinance different types of maturing debt:

- EUR 8.0 billion of senior unsecured wholesale funding was raised in benchmark transactions with maturities between 2 and 7 years; several private placements raised a total of EUR 1.6 billion;
- EUR 11.2 billion of RMBS were sold externally with maturities between 1 and 6 years;
- EUR 3 billion of covered bonds were issued in benchmark transactions with a 10-12 year maturity; Several private placements also raised a total of EUR 1.0 billion;
- EUR 1.1 billion of long-term repo with a maturity of 2-4 years;

- EUR 0.4 billion was raised through the PIP program.

## 6 CAPITAL MANAGEMENT

### 6.1 Capital management framework

Capital is the loss absorbing resource of the bank on a going concern basis, and therefore it protects depositors and other creditors. As such, capital is a necessary condition for doing business.

Recognising the importance of capital for the financial health and competitiveness of the bank, the first priority of the Capital Management strategy of ABN AMRO is to ensure that capital adequacy targets are continuously met. Another key objective is optimising shareholder value.

Capital is managed following a holistic view. The balance between capital needs and capital availability is centrally managed within ABN AMRO, optimising capital usage while providing tactical flexibility in the deployment of capital. The capital management strategy supports the overall strategy of the bank. The strategy uses its risk appetite, including its target rating, along with its business growth plans as a basis. Other determining factors are expectations and/or requirements of the stakeholders (investors, shareholders, rating agencies, clients and regulators), the position of the bank in the market, the market developments, contingent capital needs and the capital profile of the bank.

The main capital adequacy targets are the target capital ratios including Economic Capital as a percentage of going concern capital as set by ABN AMRO's management. ABN AMRO considers its capital adequacy targets from three perspectives: internal, regulatory and market perspective. In that context ABN AMRO assesses its capital position by comparing the relative level of each of the different dimensions of capital.

ABN AMRO regularly assesses its capital strategy and profile. The expected need for capital is determined and compared to available capital. Results from this forward-looking analysis are input to the strategic capital allocation process. Developments in the capital base of the bank are periodically monitored, and if any gaps or sudden capital shortfalls are identified, appropriate actions are undertaken.

Furthermore, ABN AMRO regularly monitors and analyses external developments that are relevant for its capital management and takes appropriate actions in order to comply with and/or react to these developments. Financial market trends along with competitor and peer banks capital positions are regularly subject to comprehensive analysis and taken into account in benchmarking and setting internal target capital structures and ratios.

ABN AMRO pursues to optimize the risk-based return to shareholders following an efficient capital allocation and usage process. Capital allocation is based on clearly defined rules and is embedded in the performance management. Central management of capital is in place to easily redeploy capital when needed within a short time frame. Any excess capital of its subsidiaries, above local targets, is repatriated to ABN AMRO taking into account local regulatory, tax and accounting rules and regulations.

ABN AMRO's capital management tools comprise, among others, capital raising, own asset portfolio credit risk transfer transactions to obtain capital relief through securitisations, asset sales, credit default swaps (CDS) and other structured transactions. Furthermore dividend payments and management of usage of capital are important instruments.

ABN AMRO generates results and has capital positions and capital requirements in several currencies. As the Euro is the reporting currency of ABN AMRO, foreign currency exchange movements generate foreign exchange risk. ABN AMRO pursues to actively manage foreign exchange positions related to capital investments and to manage volatility in the capital adequacy targets due to foreign exchange movements.

## 6.2 Capital position

### Capital adequacy

At 30 June 2011, the core Tier 1 and Tier 1 ratios amounted to 11.4% and 13.9% respectively and the total capital ratio amounted to 18.2%. These capital ratios are above the regulatory minimum requirements.

The following table provides an overview of the Issuer's capital development in accordance with Basel II:

<b>(in millions of euros)</b>	<b>30 June 2011</b>	<b>31 December 2010</b>
Total equity (IFRS)	12,932	12,112
Participations in financial institutions	(313)	(301)
Other regulatory adjustments	(163)	273
Core Tier 1 capital	12,456	12,084
(Non-) innovative hybrid capital instruments	2,744	2,750
Tier 1 capital	15,200	14,834
Subordinated liabilities Tier 2 (UT2)	165	173
Subordinated liabilities Tier 2 (LT2)	4,915	4,747
Participations in financial institutions	(313)	(301)
Other regulatory adjustments	(160)	(117)
<b>Regulatory capital</b>	<b>19,807</b>	<b>19,336</b>
Credit risk (RWA)	93,918	99,577
Operational risk (RWA)	13,243	14,461
Market risk (RWA)	1,958	2,290
<b>Total Basel II risk-weighted assets</b>	<b>109,119</b>	<b>116,328</b>
<b>Capital ratios</b>		
Core Tier 1 ratio	11.4%	10.4%
Tier 1 ratio	13.9%	12.8%
Total capital ratio	18.2%	16.6%

## 6.3 Main changes in capital position

### Tier 1 capital

#### *Net result*

The net reported profit in the first half of 2011 amounted to EUR 864 million, of which 60%, i.e. EUR 518 million, is included in core Tier 1 capital. This is in accordance with regulations and the newly agreed dividend policy, which targets a payout of 40% of the net reported profit which is included under other regulatory adjustments. This includes EUR 110 million net-of-tax separation and integration related items.



## **Tier 2 capital**

### ***Lower Tier 2 notes***

In April 2011, ABN AMRO executed a Lower Tier 2 exchange transaction combined with a new issuance targeted to improve the portion of Lower Tier 2 instruments eligible for grandfathering under Basel III. As a result of the exchange and issuance, new subordinated Lower Tier 2 notes were issued in EUR amounting to EUR 1.2 billion maturing on 27 April 2021 and in USD amounting to USD 0.6 billion maturing on 27 April 2022. The new notes are expected to be eligible under the Basel III transitional capital rules.

In June 2011, ABN AMRO completed a cash tender and exchange offer for USD 250 million subordinated Tier 2 deposit notes that were formally legal obligations of RBS N.V. in fulfillment of ABN AMRO's obligations under the Legal Demerger. As a result of this transaction, ABN AMRO's Tier 2 capital increased by USD 113 million.

### ***European Commission***

On 19 August 2010 the EC announced that it prohibited ABN AMRO from (i) paying discretionary coupons on hybrid Tier 1 and Tier 2 instruments unless there is a legal obligation to do so and (ii) exercising early calls on these instruments, similar to other financial institutions involved in state aid proceedings. This ban is in force until 13 March 2013.

On 14 May 2010, the EC denied FBN the early redemption of its EUR 500 million of lower Tier 2 subordinated Floating Rate Notes due in 2015 with call date 22 June 2010. This instrument is currently subject to the imposed call restrictions.

### ***Risk-weighted assets***

The EUR 7.2 billion reduction in RWA in the first half of 2011 was mainly due to further harmonization and integration of the Basel II models, reduction to zero of the capital requirement for the Credit Umbrella with Deutsche Bank, ongoing data quality improvements and the sale of PFS. At year-end 2010, the RWA requirement for the Credit Umbrella was EUR 1.8 billion. The decline in RWA is mainly caused by amortisation of the portfolio covered by this Credit Umbrella since the end of 2010 and amortisation of regulatory requirements in relation to the Credit Umbrella. In addition, the current level of the Credit Umbrella-related obligation which was recorded in 2010 as part of the closing of the EC Remedy transaction is sufficient to cover the expected credit losses on the EC Remedy assets. The zero capital requirement for the Credit Umbrella is a consequence of the deduction of this obligation.

These decreases were partly offset by an increase in RWA due to business growth (EUR 1.3 billion), mainly in C&MB.

## **Regulatory developments**

### ***Basel II***

#### ***Basel II Pillar 1***

Until the Legal Merger, FBN reported under the Basel II Advanced-IRB regime, using the Advanced Internal Rating Based Approach (A-IRB) for credit risk, the Advanced Measurement

Approach (AMA) for operational risk for the majority of its portfolio and Value-at-Risk (VaR) for market risk.

Prior to 1 April 2010, ABN AMRO reported its regulatory capital under Basel I. As of 1 April 2010, ABN AMRO also reports under Basel II, using the A-IRB for credit risk, the standardized approach for operational risk and the standardized approach for market risk.

Prior to the Legal Merger, both banks reported their capital positions to DNB on a separate basis. Following the Legal Merger the calculation of risk-weighted assets and capital figures has been harmonized.

Since the Legal Merger, the bank is in the process of harmonizing the application of Basel II policies, methodologies and models with respect to regulatory capital and risk weighted assets calculation for the merged bank. ABN AMRO is pursuing roll-out of the advanced Basel II approach for credit, operational and market risk.

To achieve full advanced Basel II compliance, a roll-out plan has been implemented to migrate several credit risk portfolios, currently reported based on the standardized approach, to Internal Rating Based Approach and implement the Internal Model Method and the Advanced Measurement Approach for market risk and operational risk respectively and to harmonize models.

#### *Basel II Pillar 2*

The objective of Pillar 2 is to enhance the link between an institution's risk profile, its risk management, risk mitigation and its capital. The Internal Capital Adequacy Assessment Process ("**ICAAP**") assesses the overall capital adequacy in relation to the risk profile of the bank based on all risks and including stress testing. The ICAAP also defines the strategy to maintain adequate capital levels. The ICAAP is based on the Issuer's internal models for economic capital.

The ICAAP is based on internal models for economic capital. It is supplemented with add-ons based on the expected impact of migration to target economic capital models and add-ons regarding risks assessed to be not fully covered within the current economic capital models.

ABN AMRO includes an assessment of future capital adequacy. A stress-testing framework is in place to execute integrated bank-wide stress tests. The result of the ICAAP is discussed in the Group Risk Committee. The full ICAAP is performed annually.

#### *Economic capital*

Economic capital is the risk measure defined as the amount of capital required to guarantee economic solvency. Economic capital is compared to the available financial resources of the bank (a measure of internal capital), to monitor if sufficient capital is available to meet the internal capital requirements. Economic capital requirements are monitored monthly and reported in the Capital Adequacy Assessment Reports and in the yearly ICAAP Capital Plan.

Economic capital is also used as a parameter for risk aggregation, capital allocation and performance and limit steering. Furthermore, economic capital figures are also used at transactional levels in all pricing tools. These tools act as a decision making mechanism for

assessing the attractiveness of a new transaction, within the given portfolio of ABN AMRO. The economic capital metric covers all material risks described in the ABN AMRO risk taxonomy.

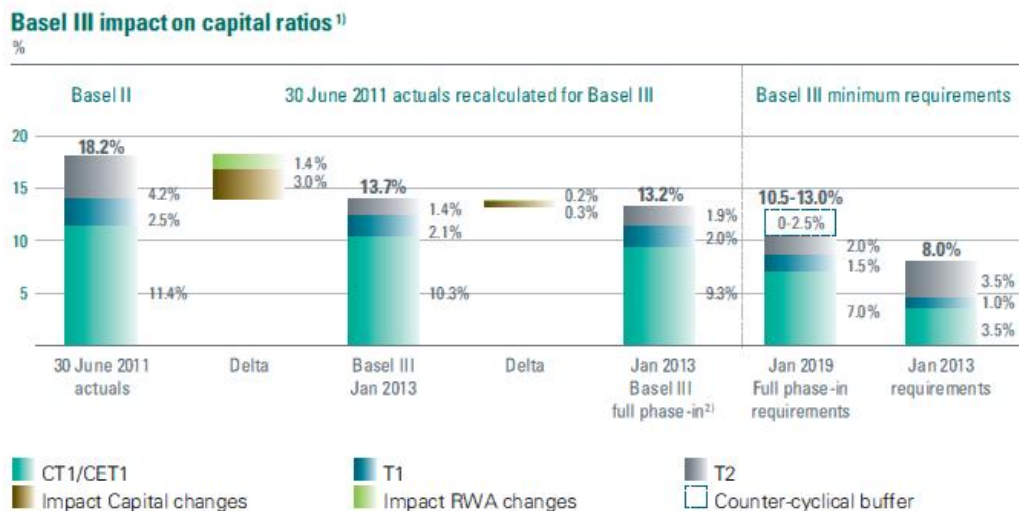
As of 2011 ABN AMRO calculates economic capital based on fully integrated economic capital models.

### Basel III

The introduction of Basel III is expected to translate current Basel II capital ratios into lower Basel III capital ratios. Under the new Basel III rules, capital requirements are expected to increase and additional capital deductions and prudential filters will be introduced. Basel III stipulates that the new rules will be implemented using a phased-in approach.

Based on analysis of the currently available Basel III requirements, ABN AMRO believes it is relatively well positioned to meet the Basel III minimum capital requirements at the time of introduction in January 2013.

The following chart illustrates ABN AMRO's actual capital ratios per 30 June 2011, adjusted for Basel III transitional arrangements as applicable in January 2013 and full-phase in rules with transitional arrangements applied to capital instruments only.



<sup>1)</sup> Certain figures may not add up exactly due to rounding.

<sup>2)</sup> January 2013 Basel III rules including transitional arrangements for capital instruments combined with the application of full phase-in rules for capital deductions, prudential filters and RWA-adjustments.

The analysis does not provide a forward looking statement on the capital adequacy position.

Under the new rules, RWA are expected to increase by EUR 13.2 billion resulting in a 1.6% lower total capital ratio, mainly due to an increase in the capital requirement for the treatment of mark-to-market counterparty risk losses (CVA capital charge) and the capital requirement for exposure to central counterparties.

Total capital is expected to decrease by EUR 3.6 billion in the full phase-in scenario with transitional arrangements for capital instruments only, resulting in a 3.3% lower total capital ratio. This decrease consists of the following building blocks:

- Common Equity Tier 1 capital will replace core Tier 1 capital under Basel III. Common Equity Tier 1 capital is EUR 1.0 billion lower than core Tier 1 capital due to the deduction of the deferred tax asset and the defined benefit pension fund asset, and the different treatment of capital deductions and prudential filters.
- Under the Basel III transitional rules, the eligibility of EUR 0.3 billion of Tier 1 instruments and EUR 2.8 billion of Tier 2 instruments is lost on 1 January 2013.
- The different treatment of capital deductions and prudential filters leads to an increase in Tier 2 capital of EUR 0.5 billion.

Basel III sets a preliminary minimum requirement for a leverage ratio of 3%. This minimum is applicable as of 2018. The leverage ratio equalled 3.4% at 30 June 2011, based on current Basel II Tier 1 capital. ABN AMRO strives to manage its balance sheet in line with this requirement. Planning and monitoring of the expected Basel III capital ratios and leverage ratio is part of the capital management process.

#### ***Further information on share capital, dividend and capital instruments***

##### *Share capital*

The authorized share capital of ABN AMRO Group N.V. remained unchanged during the first half of 2011 and amounts to EUR 4.0 billion, divided into 3,750 million ordinary shares of EUR 1 each, 240 million class A non-cumulative preference shares of EUR 1 each, 100 million ordinary class B shares of EUR 0.01 each and 900 million of class B preference shares of EUR 0.01 each. The Legal Merger on 1 July 2010 of ABN AMRO Bank N.V. (the acquiring company) and FBN (the disappearing company) did not affect the share capital.

The issued and outstanding share capital is EUR 1,015 million divided into 940 million ordinary shares of EUR 1 each and 75 million class A non-cumulative preference shares of EUR 1 each.

The Dutch State holds all issued ordinary shares and ABN AMRO Preferred Investments B.V. holds all class A non-cumulative preference shares. The Dutch State controls this entity with 70% of the votes via shares with priority rights. The Dutch State controls 97.8% of the combined voting power in ABN AMRO.

##### *ABN AMRO Preferred Investments*

ABN AMRO Preferred Investments B.V. (previously Fortis FBN(H) Preferred Investments B.V.) holds 75 million of class A non-cumulative preference shares with a total consideration of EUR 210 million. The preference-share dividend over 2010 has been reserved into a dedicated preference-share dividend reserve. The preferred dividend on the class A non-cumulative preference shares is 5.85% until January 2013.

The Dutch State controls ABN AMRO Preferred Investments B.V. through 35 priority shares with 70% of the voting power. Dutch institutional investors control 30% of the voting power and

are effectively entitled to the economic benefits derived from the preference shares the SPV holds.

#### *Dividend*

Following the state aid investigation, the European Commission prohibits ABN AMRO from (i) paying discretionary coupons on hybrid Tier 1 and Tier 2 instruments unless there is a legal obligation to do so and (ii) exercising early calls on these instruments, similar to other financial institutions involved in state aid proceedings. This ban is in force until and including 13 March 2013. The EC allows ABN AMRO to make a dividend payment on its ordinary shares provided the dividend payment exceeds EUR 100 million per annum. See "The Issuer—ABN AMRO Bank N.V.—Trend Information and Recent Developments—Recent Developments—European Commission State Aid Investigation".

ABN AMRO's dividend policy targets a dividend payout of 40% of the net reported annual profit. ABN AMRO has paid an interim dividend of EUR 200 million on the ordinary shares.

The payment of an interim dividend requires the prior release of the retained dividend reserve A for the non-cumulative preference shares A (EUR 25 million) for which the required approval has been received. Payment of an (interim) dividend also activates coupon/dividend trigger mechanisms in the class A non-cumulative preference shares, the Perpetual Bermudan Callable Securities and the Upper Tier 2 GBP instrument. As a result of the aforesaid coupon/dividend triggers, the coupons on these instruments will be paid on the next coupon date, subject to the Issuer not being in breach of DNB capital adequacy requirements, where applicable.

#### *The liability related to the former Mandatory Convertible Securities*

On 7 December 2007 EUR 2 billion of Mandatory Convertible Securities (MCS) matured and converted into shares issued by Ageas pursuant to the applicable terms and conditions. In consideration herewith, Ageas claims to receive ABN AMRO shares. The Dutch State strongly contests the purported obligation towards Ageas. The obligation is currently subject to ongoing litigation, see "The Issuer—ABN AMRO Bank N.V.—Trend Information and Recent Developments". Per 30 June 2011, no consideration has been paid by ABN AMRO Group N.V. or ABN AMRO Bank to Ageas.

Until it is certain that ABN AMRO is legally released from the obligations, if any, derecognition of the liability from the balance sheet as a result of extinguishment of aforementioned obligations is not permitted under IFRS. In accordance with IFRS requirements the liability has therefore been retained in the balance sheet. A total amount of EUR 1,750 million continues to qualify as Tier 1 capital.

#### *Perpetual Bermudan Callable Securities*

EUR 1 billion of Perpetual Bermudan Callable Capital Securities were issued in 2006. This instrument is reported in the balance sheet under subordinated liabilities. Further information is provided in note 30 "Subordinated liabilities" in the Annual Financial Statements 2010.

The last annual coupon was paid on 10 March 2010.

*Tier 2 capital instruments*

ABN AMRO has the following Tier 2 capital instruments outstanding per 30 June 2011:

<b>(in millions)</b>	<b>Maturity date</b>	<b>Currency</b>	<b>Nominal amount</b>	
			<b>30 June 2011</b>	<b>31 December 2010</b>
GBP 150 million (originally GBP 750 million) callable Feb 2016	Perpetual	GBP	150	150
USD 457 million (originally USD 1,000 million) callable Apr 2013	17 Jan 2017	USD	457	1,000
EUR 441 million (originally EUR 1,000 million) callable Mar 2013	14 Sep 2016	EUR	441	1,000
EUR 238 million (originally EUR 500 million) callable May 2013	31 May 2018	EUR	238	500
EUR 377 million (originally EUR 499 million) callable Mar 2013	22 Jun 2015	EUR	377	499
EUR 1,650 million callable Apr 2013	16 Oct 2017	EUR	1,650	1,650
EUR 1,228 million 6.375% per annum	27 Apr 2021	EUR	1,228	-
USD 595 million 6.250% per annum	27 Apr 2022	USD	595	-
USD 113 million 7.75% per annum	15 May 2023	USD	113	-
Various smaller instruments	2011-2020	EUR	317	334
Various smaller instruments	2015	USD	83	136

## 7 RISK MANAGEMENT

*The reported financial position of ABN AMRO as at 31 December 2010 and 2009 included in "The Issuer—Risk Management" were extracted from the audited Annual Financial Statements 2010 of ABN AMRO Group N.V. The reported financial position of ABN AMRO as at 30 June 2011 and as at 31 December 2010 were extracted from the reviewed Interim Financial Statements 2011 as indicated.*

*Certain line items extracted from ABN AMRO's condensed consolidated statement of financial position as at 31 December 2010 included in the Interim Financial Statements 2011 and included in the discussion below have been subject to further refinement of accounting harmonization, leading to netting adjustments and reclassifications of these line items in the consolidated statement of financial position as at 31 December 2010 contained in the Annual Financial Statements 2010. This further refinement has occurred subsequent to 31 December 2010 and is applied retrospectively as at 31 December 2010 in the discussion below and in the Interim Financial Statements 2011, as explained further below under "The Issuer—Operating and Financial Review—Presentation of Financial Information—Harmonization of accounting policies". This refinement does not have an impact on the income statement of ABN AMRO. Corresponding adjustments have not been made to the consolidated statement of financial position as at 31 December 2009.*

### 7.1 Risk organisation

The Managing Board has overall responsibility for the risks assumed by ABN AMRO and endorses and approves the bank's risk appetite in accordance with the corporate strategy agreed by the Management Board. The bank's risk management functions are the responsibility of the Chief Risk Officer, who is a member of the Managing Board, and with the chair of the Supervisory Board.

For more information on the Managing Board, see "The Issuer—ABN AMRO Bank N.V.—Management and Governance".

### 7.2 Status of the integration

In 2010, the risk organisations of ABN AMRO Bank and FBN merged to form the new risk organisation, Risk Management & Strategy ("**RM&S**"). Integration involved the following activities:

- designing a new risk organisation;
- defining a risk strategy, risk appetite and risk governance;
- performing ongoing HR processes such as sourcing and matching;
- relocating employees of both former banks.

Risk governance was put into place, ensuring risk control under the supervision of risk committees. ABN AMRO's risk taxonomy was defined as the foundation for the risk management strategy. The risk policies of ABN AMRO Bank and FBN were harmonized into comprehensive risk policies based on a clearly-defined risk strategy and risk appetite, which in turn shape the bank's risk management processes. Harmonization of the models is in progress and

aligned with system integration activities. Where certain systems are not harmonized yet, RM&S has defined specific workarounds, procedures and work instructions which will apply until the integration is final.

### 7.3 Mission, strategy and business model

#### **Mission**

RM&S aims to contribute to the bank's overall strategy by promoting a healthy balance between risk and return based on a moderate risk profile. The aim is not to avoid all risks, but to keep risks manageable and, in doing so, to ensure a healthy, stable bank.

#### **Strategy**

RM&S defines how and to what extent the bank takes various types of risk in order to achieve its business goals and objectives. ABN AMRO's risk management strategy specifies to what extent undesired risks should be mitigated or avoided, describing the bank's approach to risk and the risk appetite. The risk strategy is aligned with the bank's corporate strategy, which is designed to help the bank meet its strategic objectives and links up with ABN AMRO's planning and capital management processes.

RM&S ensures a balanced approach between risk and return by:

- protecting the financial position of the bank through implementation of clear responsibilities and accountability for risk management, defined bank-wide;
- ensuring independent control of risk management;
- pursuing effective resourcing and ensuring highly-qualified risk management staff;
- protecting the reputation of the bank by ensuring transparent and coherent risk-related decision-making throughout the bank, taking into account all types of risk defined in the risk taxonomy.

ABN AMRO is committed to embedding environmental and social criteria in the risk framework. A dedicated team has worked to include sustainability in the bank's risk policy, governance and taxonomy.

#### **Business model**

Risk Management, Group Economics and Strategy & Corporate Development (including Investor Relations) have been combined to form one organisation which offers support in exchanging risk related information and adopting a single strategy. The bank aims for a moderate risk profile with healthy returns. RM&S defines the bank's risk policy in close cooperation with the businesses, monitors risk and makes proposals for important risk decisions submitted to the Managing Board. In addition, RM&S manages the process of allocating capital.

Group Economics offers risk expertise at macro-, meso- and micro-economic levels. The central risk functions, such as Strategy & Corporate Development and Central Risk Management, define the business strategy and translate it into the corporate risk policy and risk appetite. Central Risk Management fleshes out these policies and oversees implementation and control, covering both financial and non-financial sanctioning and authorisation (including sustainability) of risks.



Business Risk Officers at Retail & Private Banking ("R&PB") and Commercial & Merchant Banking ("C&MB") monitor risk in the businesses, perform analyses and authorize and conduct risk assessments. Financial Restructuring & Recovery ("FR&R") is in charge of all loans that are in default or represent a materially increased credit risk. Finally, Asset & Liability Management/Treasury ("ALM/T") is responsible for managing liquidity risk, interest rate risk and the level of capital available to ABN AMRO. ALM/T also reports to Finance.



#### 7.4 Risk governance

##### Three lines of defence: risk types under one umbrella

RM&S is structured to operate through a system of checks and balances. Risks are managed and controlled according to the three lines of defence model, as the bank wants to make individual business lines accountable for taking risks in order to strike a balance between risk and return. The illustration below shows how this model functions.

<b>1st Line of Defence Business</b>	<b>2nd Line of Defence Risk Control Functions</b>	<b>3rd Line of Defence Audit</b>
<b>Risk Ownership</b>	<b>Risk Control</b>	<b>Risk Assurance</b>
Management within each business is primarily responsible for the risk that it takes the results, execution, compliance and effectiveness of risk control.	Risk control functions are responsible for setting frameworks, rules and advice, and monitoring and reporting on execution, management, and risk control. The second line ensures that the first line takes risk ownership.	Group Audit evaluates the effectiveness of the governance, risk management and control processes and recommends solutions for optimising them. Group Audit has a coordinating role towards the external auditor and DNB.

RM&S has oversight of all risks to which the bank is exposed and monitors the implementation of the three lines of defence model.

##### Risk decision framework

The Managing Board is responsible for establishing, executing, monitoring and adjusting the overall risk policy and sets and enforces clear lines of responsibility and authority within the bank. The Managing Board takes decisions that are of material significance to the risk profile, capital allocation and liquidity. The intake and management of other core risks above defined thresholds occurs in risk committees, which are part of the second line of defence.

The risk committee structure is based on a hierarchy of three executive risk committees, each of which is chaired by a member of the Managing Board. These three committees can delegate their authority to subsidiary risk committees, and their general features are described below.

### ***Group Risk Committee***

The Group Risk Committee ("**GRC**") is mandated by the Managing Board to monitor, assess and manage the bank's risk profile in keeping with the risk appetite. Its responsibilities are:

- to define – at least annually – the risk appetite of the bank and the businesses (final approval by Managing Board);
- to review the risk profile of the bank and the underlying businesses in alignment with the risk appetite and to formulate corrective actions when necessary;
- to approve new activities and products;
- to formulate risk policies;
- to formulate risk and capital models;
- to carry out risk governance (including delegation and approval authorities);
- to define limits on risk positions (insofar as this is not under the mandate of the Asset & Liability Committee ("**ALCO**"));
- to discuss any other business delegated to it by the Managing Board.

The GRC may delegate its approval authority to underlying risk committees, but retains ultimate responsibility. The terms and conditions of the delegation of authority with respect to risk policies, methodologies and new products are specified in the risk policies (e.g. Product and Activity Approval Policy, see "Risk appetite" below).

### ***Central Credit Committee***

The Central Credit Committee ("**CCC**") is mandated by the Managing Board to decide on all credit proposals with a major impact on ABN AMRO's risk profile. Its responsibilities are:

- to approve all credit proposals (including provisions/ write-offs) beyond the mandates of subsidiary risk committees (Business Credit Committees, Central Risk Management, Credit Committee and Financial Recovery & Restructuring Committee);
- to approve all country risk proposals beyond the mandate of the Country Risk Committee;
- to take decisions on all matters delegated to the CCC by the Managing Board.

### ***Asset and Liability Committee***

ALCO deals primarily, within the mandate of the Managing Board, with the exposure or balance sheet structure of the bank in relation to liquidity, interest income, interest rate risk management,

management of foreign exchange exposure and capital management within the defined framework and limits. Its responsibilities are:

- to define policies regarding transfer pricing, interest rate risk of the banking book, liquidity, corporate foreign exchange risk, ALM/I investments, long-term funding and capital management, including implementation;
- to manage the bank's interest rate, liquidity, foreign exchange position;
- to manage regulatory capital and capital adequacy of the bank, including the bank's capital structure and local capitalisation;
- to oversee the bank's long- and short-term funding, in accordance with the risk profile and using the bank's own assets for funding purposes;
- to oversee the bank's investment portfolio and collateral management;
- to approve all authorities for setting limits on local positions and local ALCO mandates.

Proposals that go beyond the approved mandate of the ALCO are sent to the Managing Board for approval.

#### 7.5 Risk appetite

The risk appetite determines the level and nature of risk that the bank is willing to take in order to pursue its strategy, taking all stakeholders into consideration. The risk appetite is aligned with the bank's corporate strategy and is set with a view to creating a moderate risk profile. The risk appetite is approved by the Managing Board and the Supervisory Board.

The bank has developed a risk appetite framework to ensure that the risk appetite is fully embedded in the business. The risk appetite specifies the use of risk capacity across the different risk types, businesses and operating entities, optimising risk and return. Within ABN AMRO's risk tolerance boundaries, the risk appetite specifies:

- how ABN AMRO deploys its overall risk-taking capacity by defining the amount of risk exposure the businesses and operating entities may take for each risk type;
- the minimum required return on risk-adjusted capital (i.e. "hurdle rate").

ABN AMRO thus allocates its risk-taking capacity to those business areas that optimize the balance of risk and return and maximize value creation. In addition, ABN AMRO ensures that an appropriate level of funds remains available for new business opportunities.

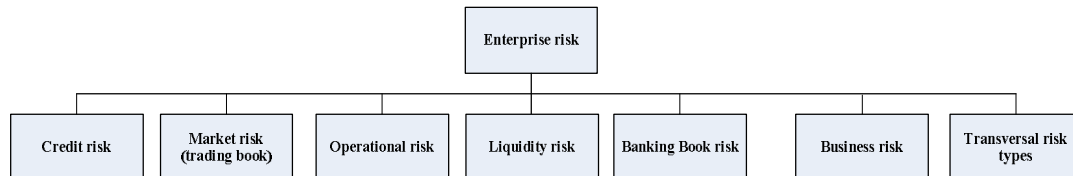
The bank's activities are continuously monitored against the risk appetite and reported to the Managing Board. The Managing Board discusses the individual risk types and considers all risks collectively, and frequently discusses the enterprise-wide risk profile of the bank in relation to the risk appetite.

In accordance with the guidelines laid down in the Dutch Banking Code, and in line with the bank's strategy, moderate risk profile and risk appetite, ABN AMRO introduced the Product and Activity Approval Policy in 2010. This policy, which applies to ABN AMRO, sets out the

process, activities and approval procedure for the development and introduction of new products and activities and changes to existing products and activities.

## 7.6 Risk taxonomy

ABN AMRO's risk taxonomy includes all material risks. It is reviewed and updated on a yearly basis to ensure that all material risks are identified, defined and fed into the risk governance framework. ABN AMRO's current risk taxonomy is summarized in the following chart:



The risk types as defined in the risk taxonomy are explained per risk type in the following sections:

### **Credit risk**

Credit risk is the risk of a loss because a debtor fails to meet the terms of a contract or otherwise fails to perform as agreed.

#### ***Credit risk management***

Credit risk management within the bank is governed by the Central Credit Risk Policy and detailed further in specific credit risk policies. The policy defines the framework for managing and monitoring the bank's credit risk. It provides specific guidance and defines minimum standards for managing and monitoring credit risk, in line with the bank's risk strategy and credit risk appetite. The policy contains a set of principles, rules, guidelines and procedures for identifying, measuring, approving and reporting credit risk. The policy establishes a consistent framework for credit risk generating activities, either through direct lending relationships or through other activities resulting in credit risk such as investment activities.

The bank reviewed its Credit Policy framework in 2010 and, as of September 2010, has started to harmonize the ABN AMRO Bank and FBN policies and review and rewrite the credit policies where required. This process is well on track and legacy policies have been adopted for the interim period. Specifically, the Central Credit Risk Policy – setting the overall framework – was rewritten in 2010. Key policies, such as those governing country risks, off-balance sheet instruments and maximum counterparty exposure ("one obligor exposure") were also harmonized. All business line specific policies, or business risk policies, are being revisited, while a formal review cycle has been instituted to ensure continuous relevance of all policies. The necessary policies concerning all credit risk activities are in place.

For its retail lending portfolios, including individual as well as small commercial clients, the bank uses the program lending approach to manage risks and exposures at product portfolio level. The specific bank-wide program lending policies that govern program lending were reviewed in 2010 to support the integration of the retail lending portfolios following the Legal Merger.

### *The credit lifecycle*

The basis for effective credit risk management is the proper and timely identification of existing and potential credit risk inherent to any product, activity or counterparty. This process includes the gathering of relevant information concerning products offered, counterparties involved and all other elements that may influence the credit risk.

Assessing the credit risk of a proposed agreement consists of:

- analysis of the probability that the counterparty will fail to meet its obligations, including the risk classification on the ABN AMRO Uniform Counterparty Rating;
- analysis of the possibilities of fulfilling the counterparty's obligations by other means in the event that the counterparty fails to meet its obligations by itself;
- formulation of an independent and substantiated opinion.

An overview of decision-making on credit proposals is provided in the Central Credit Committee section.

Counterparty acceptance criteria are the conditions that the bank applies to the acceptance of credit clients. These conditions reflect the generally acceptable credit risk profile that the bank has defined. The bank operates in accordance with sound, well-defined credit granting criteria in order to protect its reputation and ensure its sustainability.

To allow timely corrective action, credit risk is monitored on an ongoing basis.

Credits with a high-risk profile (infected, defaulted and impaired credits) are transferred to the Financial Restructuring & Recovery department ("**FR&R**"). FR&R develops strategies to rehabilitate an impaired credit or to increase the likelihood of final repayment.

### *Credit Risk Exposure*

Credit risk exposure is presented based on the classification in the statement of financial position to reflect the nature and characteristics of the exposure. The amounts stated in the following tables represent the maximum accounting loss that would be recognized at the balance sheet date if counterparties fail to completely perform as contracted and if any collateral or security provided proves to be of no value. As a result, the amounts presented significantly exceed expected losses in the event of counterparty default. Balances that do not give rise to credit risk are excluded from this overview.

The information is presented as at 30 June 2011 and 31 December 2010 and 2009. ABN AMRO only reports certain line items in credit risk exposure as at 30 June 2011. This is reflected in the table below.

	<u>At 30 June</u>	<u>At December 31</u>	
	<u>2011</u>	<u>2010</u>	<u>2009</u>
	<i>(in millions of euros)</i>		
Cash and balances at central banks .....	927	906	4,368
<b>Total net Cash and balances at central banks .....</b>	<b>927</b>	<b>906</b>	<b>4,368</b>

	<u>At 30 June</u>	<u>At December 31</u>	
	<u>2011</u>	<u>2010</u>	<u>2009</u>
	<i>(in millions of euros)</i>		
<b>Financial assets held for trading<sup>(2)</sup></b>			
Trading securities .....	N/R	3,710	1,476
Trading derivatives .....	N/R	8,211	7,122
Other assets held for trading .....	N/R	1,882	1,122
<b>Total financial assets held for trading .....</b>	<b><u>15,542</u></b>	<b><u>13,803</u></b>	<b><u>9,720</u></b>
<b>Loans and receivables – banks</b>			
Interest-bearing deposits .....	7,833	7,312 <sup>(1)</sup>	20,020
Loans and advances .....	4,650	5,379	3,702
Reverse repurchase agreements .....	5,057	2,856	3,102
Securities borrowing transactions .....	29,157	21,162	16,643
Mandatory reserve deposits with central banks .....	2,974	4,187	1,202
Other .....	135	270 <sup>(1)</sup>	453
<b>Total Loans and receivables – banks .....</b>	<b><u>49,806</u></b>	<b><u>41,166</u></b>	<b><u>45,122</u></b>
Impairments .....	(36)	(49)	(60)
<b>Total net Loans and receivables – banks .....</b>	<b><u>49,770</u></b>	<b><u>41,117</u></b>	<b><u>45,062</u></b>
<b>Loans and receivables – customers</b>			
Government and official institutions .....	3,087	3,259	4,036
Residential mortgages (including fair value adjustment from hedge accounting) .....	160,230	161,792 <sup>(1)</sup>	162,916
Consumer loans .....	13,789	14,210	14,258
Commercial loans (including fair value adjustment from hedge accounting) .....	82,242	82,928	87,105
Reverse repurchase agreements .....	17,003	12,096	4,197
Securities borrowing transactions .....	7,465	2,243	10,622
Other .....	1,948	1,702	1,716
<b>Total Loans and receivables – customers .....</b>	<b><u>285,764</u></b>	<b><u>278,230<sup>(1)</sup></u></b>	<b><u>284,850</u></b>
Impairments .....	(4,201)	(4,286)	(4,121)
<b>Total net Loans and receivables – customers .....</b>	<b><u>281,563</u></b>	<b><u>273,944<sup>(1)</sup></u></b>	<b><u>280,729</u></b>
<b>Financial investments<sup>(2)</sup></b>			
Dutch government .....	N/R	2,287	2,922
US Treasury and US government .....	N/R	393	
Other OECD government .....	N/R	8,598	11,179
Non-OECD government .....	N/R	58	4
Mortgages and other asset backed securities .....	N/R	3,596	886
Financial institutions .....	N/R	4,270	4,589
Non-financial institutions .....	N/R	442	345
Other interest earning securities .....	N/R		
Designated at fair value through profit or loss .....	N/R	246	356
<b>Total interest bearing investments .....</b>	<b><u>18,487</u></b>	<b><u>19,890</u></b>	<b><u>20,281</u></b>
Impairments .....	N/R	(11)	(9)
<b>Total net Interest bearing investments .....</b>	<b><u>N/R</u></b>	<b><u>19,879</u></b>	<b><u>20,272</u></b>
Accrued income and prepaid expenses .....	N/R	4,169	3,532
<b>Total accrued income and prepaid expenses .....</b>	<b><u>N/R</u></b>	<b><u>4,169</u></b>	<b><u>3,532</u></b>
Other assets <sup>(3)</sup> .....	8,077 <sup>(4)</sup>	3,565	4,349
Impairments .....	N/R	(4)	(5)
<b>Total net Other assets .....</b>	<b><u>N/R</u></b>	<b><u>3,561</u></b>	<b><u>4,344</u></b>
Total on-balance credit risk exposure .....	378,603	361,729 <sup>(1)</sup>	372,222
Impairments .....	(4,252)	(4,350)	(4,195)

	<u>At 30 June</u>	<u>At December 31</u>	
	<u>2011</u>	<u>2010</u>	<u>2009</u>
	<i>(in millions of euros)</i>		
<b>Total net on-balance credit risk exposure</b> .....	<b>374,351</b>	<b>357,379<sup>(1)</sup></b>	<b>368,027</b>
Off-balance credit commitments exposure gross .....	N/R	37,779	26,443
Impairments .....	N/R	(33)	(33)
<b>Off-balance credit commitments exposure net</b> .....	<b>35,701</b>	<b>37,746</b>	<b>26,410</b>
Revocable credit facilities <sup>(5)</sup> .....	63,690	63,469	67,907
<b>Total off-balance credit facilities and guarantees</b> .....	<b>N/R</b>	<b>101,215</b>	<b>94,317</b>
Total credit risk exposure gross .....	N/R	462,944 <sup>(1)</sup>	466,539
Impairments .....	N/R	(4,350)	(4,195)
<b>Total credit risk exposure net</b> .....	<b>N/R</b>	<b>458,594<sup>(1)</sup></b>	<b>462,344</b>

Note: N/R means not reported

<sup>(1)</sup> Unaudited and adjusted for harmonization as described in "The Issuer—Operating and Financial Review—Presentation of Financial Information—Harmonization of accounting policies" and extracted from Interim Financial Statements 2011 (2010 reported Loans and receivables – banks Interest bearing deposits: EUR 3,152 million; 2010 reported Loans and receivables – banks Other: EUR 4,430 million; 2010 reported Residential mortgages: EUR 163,603 million; 2010 reported Total loans and receivables – customers: EUR 280,041 million; 2010 reported Total net Loans and receivables – customers: EUR 275,755 million; 2010 reported Total on balance credit risk exposure: EUR 363,540 million; 2010 reported Total net on balance credit risk exposure: EUR 359,190 million; 2010 reported Total credit risk exposure gross: EUR 464,755 million; 2010 reported Total credit risk exposure net: EUR 460,405 million).

<sup>(2)</sup> Equities are excluded, because these do not give rise to credit risk.

<sup>(3)</sup> Consists of non-trading derivative assets, reinsurers' share, trade and other receivables, and balancing temporary amounts between trade date and settlement date.

<sup>(4)</sup> Includes accrued income and prepaid expenses.

<sup>(5)</sup> Although not committed, ABN AMRO is of the opinion that revocable credit facilities give rise to credit risk.

The loans to banks portfolio increased by EUR 8.6 billion to EUR 49.8 billion from 31 December 2010 to 30 June 2011. This was mainly due to an increase in securities financing transactions. These are gross amounts outstanding, collateralized by equities and bonds, subject to periodic margining and application of valuation haircuts. Loans and advances and mandatory reserve deposits with central banks showed a decrease during the period.

The loans to customers portfolio grew gradually over the first half year of 2011. The volume increase was mainly driven by Commercial & Merchant Banking and partially offset by lower volumes at Retail & Private Banking. The growth in lending by ECT is consistent with the increase in world trade volume seen in the first half of 2011. The decrease in residential mortgage loans is consistent with the slow market and the dampening effect of new domestic mortgage regulations in The Netherlands.

The lower off-balance credit exposure as at 30 June 2011 is mainly due to a decrease in guarantees and other commitments. Further details on commitments and contingent liabilities are provided in note 16 to the Interim Financial Statements 2011 and Note 38 to the Annual Financial Statements 2010.

### **Credit Risk Concentration**

Credit risk concentration is any exposure to a counterparty or an aggregate of exposures to a number of positively correlated counterparties (i.e. tendency to default under similar circumstances), with the potential to produce a significant amount of capital loss due to a bankruptcy or failure to pay. Avoidance of concentrations is therefore fundamental to ABN AMRO's credit risk strategy of maintaining granular, liquid and diversified portfolios. ABN AMRO applies industry concentration limits based on Industry Classification Benchmark ("ICB") clusters.

The following table shows the industry concentration of the Loans and receivables – banks and Loans and receivables – customers at 31 December 2010 and 2009.

	<b>At 31 December</b>			
	<b>2010</b>		<b>2009</b>	
	<b>Carrying amount Loans and receivables – banks and customers</b>	<b>Total%</b>	<b>Carrying amount Loans and receivables – banks and customers</b>	<b>Total%</b>
	<i>(in millions of euros)</i>		<i>(in millions of euros)</i>	
<b>Industry sector</b>				
Automobiles and parts .....	511	0.2	463	0.1
Banks.....	41,166	12.9	45,122	13.7
Basic resources .....	1,385	0.4	2,990	0.9
Chemicals .....	671	0.2	484	0.1
Construction and materials .....	2,697	0.8	3,787	1.1
Financial services .....	12,721	4.0	8,873	2.7
Food and beverage .....	6,685	2.1	7,303	2.2
Health care.....	4,498	1.4	5,493	1.7
Industrial goods and services.....	22,675	7.1	21,853	6.6
Insurance.....	452	0.1	426	0.1
Media .....	371	0.1	994	0.3
Oil and gas.....	2,542	0.8	1,743	0.5
Personal and household goods .....	917	0.3	1,257	0.4
Private individuals non-Industry Classification Benchmark.....	176,584 <sup>(1)</sup>	55.4	177,174	53.7
Public administration non-Industry Classification Benchmark.....	3,259	1.0	4,036	1.2
Real estate .....	9,913	3.1	11,537	3.5
Retail .....	6,304	2.0	10,318	3.1
Technology .....	448	0.1	662	0.2
Telecommunications .....	250	0.1	218	0.1
Travel and leisure .....	1,951	0.6	3,080	0.9
Utilities.....	2,520	0.8	1,926	0.6
Non-classified.....	20,876	6.5	20,233	6.1
<b>Total Loans and receivables - banks and customers gross</b> .....	<b>319,356<sup>(1)</sup></b>	<b>100.0</b>	<b>329,972</b>	<b>100.0</b>
Impairments .....	(4,335)		(4,181)	
<b>Total Loans and receivables - banks and customers net</b> .....	<b>315,061<sup>(1)</sup></b>		<b>325,791</b>	

<sup>(1)</sup> Unaudited and adjusted for harmonization as described in "The Issuer—Operating and Financial Review—Presentation of Financial Information—Harmonization of accounting policies" and extracted from Interim Financial Statements 2011. (2010 reported Private individuals non-Industry Classification Benchmark: EUR 178,395 million; 2010 reported Total Loans and receivables – banks



and customers gross: EUR 321,207 million; 2010 reported Total Loans and receivables – banks and customers net: EUR 316,872 million).

The significant concentration of credit risk exposures observed in the line "Private individuals non-Industry Classification Benchmark" consists mainly of residential mortgage loans including fair value hedge adjustment (H1 2011: EUR 159.9 billion; 2010: EUR 161.8 billion; 2009: EUR 162.9 billion) and, to a lesser extent, consumer loans.

### **Country Risk**

Country risk is defined as the risk of losses due to country-specific events or circumstances, the measurement of which is focused on cross-border exposure. Cross-border risk is defined as the risk that funds or goods cannot be transferred out of a risk country as a result of actions by the authorities of the country or by other events impeding the transfer. As at 30 June 2011, more than 80% of ABN AMRO's customer assets (Loans and receivables – customer) were located in The Netherlands.

ABN AMRO manages these risks through individual country analysis and control of exposure concentration. Decision-making rests with authorized individuals and senior credit committees. Deteriorating risks within a country are subject to an additional risk assessment/control framework.

The tables below provide information on the geographic concentration of Loans and receivables - banks and Loans and receivables - customers (both gross amounts) and off-balance credit risk by entity location.

	<b>As at 31 December 2010<sup>(1)</sup></b>		
	<b>The Netherlands</b>	<b>Other countries</b>	<b>Total</b>
	<i>(in millions of euros)</i>		
<b>Total Loans and receivables – banks</b> .....	<b>15,183</b>	<b>25,983</b>	<b>41,166</b>
<b>Loans and receivables – customers</b>			
Residential mortgages			
(including fair value adjustment from hedge accounting).....	161,125 <sup>(1)</sup>	667	161,792 <sup>(1)</sup>
Other consumer loans .....	11,898	2,312	14,210
<b>Total consumer loans</b> .....	<b>173,023<sup>(1)</sup></b>	<b>2,979</b>	<b>176,002<sup>(1)</sup></b>
Commercial loans			
(including fair value adjustment from hedge accounting).....	62,462	20,466	82,928
Other commercial loans .....	1,861	14,180	16,041
<b>Total commercial loans</b> .....	<b>64,323</b>	<b>34,646</b>	<b>98,969</b>
Government and official institutions .....	3,028	231	3,259
<b>Total Loans and receivables – customers</b> .....	<b>240,374<sup>(1)</sup></b>	<b>37,856</b>	<b>278,230<sup>(1)</sup></b>
Other assets .....	1,881	1,684	3,565
<b>Total on-balance</b> .....	<b>257,438<sup>(1)</sup></b>	<b>65,523</b>	<b>323,361<sup>(1)</sup></b>
Off-balance <sup>(2)</sup> .....	70,410	30,805	101,215

	<b>As at 31 December 2010<sup>(1)</sup></b>		
	<b>The Netherlands</b>	<b>Other countries</b>	<b>Total</b>
	<i>(in millions of euros)</i>		
<b>Total on and off-balance</b> .....	<b>327,848<sup>(1)</sup></b>	<b>96,328</b>	<b>424,176<sup>(1)</sup></b>

<sup>(1)</sup> Unaudited and adjusted for harmonization as described in "The Issuer—Operating and Financial Review—Presentation of Financial Information—Harmonization of accounting policies" and extracted from Interim Financial Statements 2011. (In "The Netherlands", 2010 reported Residential mortgages: EUR 162,936 million; 2010 reported Total consumer loans: EUR 174,834 million; 2010 reported Total Loans and receivables – customers: EUR 242,185 million; 2010 reported Total on-balance: EUR 259,249 million; 2010 reported Total on and off-balance: EUR 329,659 million; corresponding adjustments to "Total" column).

<sup>(2)</sup> Includes revocable credit facilities.

	<b>At 31 December 2009</b>		
	<b>The Netherlands</b>	<b>Other countries</b>	<b>Total</b>
	<i>(in millions of euros)</i>		
<b>Total Loans and receivables - banks</b>	<b>4,776</b>	<b>40,346</b>	<b>45,122</b>
<b>Loans and receivables - customers</b>			
Residential mortgages	162,455	471	162,916
(including fair value adjustment from hedge accounting).....			
Other consumer loans .....	12,331	1,927	14,258
<b>Total consumer loans</b> .....	<b>174,776</b>	<b>2,398</b>	<b>177,174</b>
Commercial loans	69,249	17,856	87,105
(including fair value adjustment from hedge accounting).....			
Other commercial loans .....	8,372	8,163	16,535
<b>Total commercial loans</b> .....	<b>77,621</b>	<b>26,019</b>	<b>103,640</b>
Government and official institutions .....	3,818	218	4,036
<b>Total Loans and receivables – customers</b> .....	<b>256,215</b>	<b>28,635</b>	<b>284,850</b>
Other assets .....	3,091	1,258	4,349
<b>Total on-balance</b>	<b>264,082</b>	<b>70,239</b>	<b>334,321</b>
Off-balance <sup>(1)</sup> .....	74,317	20,000	94,317
<b>Total on and off-balance</b> .....	<b>338,399</b>	<b>90,239</b>	<b>428,638</b>

<sup>(1)</sup> Includes revocable credit facilities.

### ***Sovereign and Sovereign Guaranteed Exposures***

There is an increased focus on sovereign risks in a number of EU countries. These risks, and their potential impact on non-sovereign credit exposures, are managed closely by senior credit committees, informed by opinions and advice from country risk and macroeconomics specialists and ABN AMRO's Country Risk Committee.

The following table provides an overview of the book value of the most significant exposures to European governments and government-related entities as at 30 June 2011 and 31 December 2010. These exposures include debt issued by central governments and local governments as well as debt guaranteed by a central government. The exposures reported are part of ABN AMRO's loan, trading and/or investment books.

The exposure to US government and government-guaranteed exposures amounted to EUR 0.4 billion as at 30 June 2011 (31 December 2010: EUR 0.5 billion) and is recorded in the investment book.

	<b>At 30 June 2011</b>	<b>At 31 December 2010</b>
	<i>Book value</i>	
	<i>(in billions of euros)</i>	
The Netherlands <sup>(1)</sup> .....	9.7	8.9
Belgium.....	1.6	2.6
France.....	2.6	2.3
Germany .....	3.6	2.1
Greece .....	1.4	1.4
Italy .....	1.3	1.3
United Kingdom.....	0.9	0.9
Austria.....	0.9	0.9
Poland.....	0.2	0.3
Portugal.....	-	0.2
Ireland.....	0.1	0.1
Finland .....	0.2	0.1
Spain.....	0.1	0.1
<b>Total.....</b>	<b>22.6</b>	<b>21.2</b>

<sup>(1)</sup> The comparative exposure for The Netherlands has been adjusted to exclude deposits held with DNB.

The majority of the exposure resides with countries such as The Netherlands, Germany, France and Belgium. The exposure to Greece, Italy, Spain and Ireland did not change materially over the first half of 2011. The Portuguese exposure (31 December 2010: EUR 0.2 billion) matured at the end of April 2011.

The majority of ABN AMRO's government and government-guaranteed exposures are recorded in the available-for-sale portfolio in the investment book, see note 7, Financial Investments, to the Interim Financial Statements 2011. An unrealized gain of EUR 452 million (31 December 2010: EUR 530 million) is recorded on these exposures. Of the unrealized gain, fair value hedge accounting was applied for an amount of EUR 521 million (31 December 2010: EUR 574 million), leaving a net unrealized loss of EUR 69 million (31 December 2010: EUR 44 million) in the available-for-sale reserve in equity.

In addition, some of the exposures (mainly Greece and the majority of The Netherlands) are recorded in loans and receivables at amortized cost. The figures for The Netherlands exclude consumer loans which are Dutch State guaranteed, such as government-guaranteed mortgage loans (NHG), but do include corporate loans that are Dutch State guaranteed. The fair values of the government and government-guaranteed exposures in The Netherlands do not differ significantly from the amortized cost value, due to the short maturities of these loans.

The Greek exposures are corporate debt guaranteed by the Greek government and are recorded in Loans and receivables at amortized cost. As these loans are not quoted in an active market, the fair values have been determined by applying a present value approach. The future cash flows have been discounted using a risk-adjusted interest rate, which is based on market observable information for similar credit risk exposures. Under the current market circumstances and given the specific nature of the exposures the determination of the fair values on this basis is subject to significant uncertainty. For that reason ABN AMRO has used reasonably possible alternative assumptions in determining the fair value, leading to a fair value range between EUR 1.1 billion and EUR 0.9 billion. As a consequence, these exposures show an unrealized loss of EUR 0.3 - 0.5

billion (31 December 2010: EUR 0.2 billion). No impairments were booked as at 30 June 2011 as these loans are performing; due consideration had shown that there was no evidence that the future cash flows associated with these loans were compromised. Developments after 30 June 2011 are discussed in "The Issuer—ABN AMRO Bank N.V.—Trend Information and Recent Developments—Recent Developments—Sovereign and sovereign-guaranteed exposures (Greece)".

The remainder of the sovereign and sovereign-guaranteed exposures are part of the trading portfolio in Financial assets held for trading and recorded at fair value through the income statement.

### ***Credit Quality***

The credit quality of the portfolio of financial assets can be assessed with reference to ABN AMRO's internal counterparty rating system, which reflects an obligor's default probability. ABN AMRO's internal counterparty ratings are a crucial tool for managing and monitoring credit risk, both at counterparty and at portfolio level. The counterparty rating is established by means of internal rating models and is based on several aspects, including both a financial and non-financial analysis of the counterparty.

Each counterparty to whom ABN AMRO grants any type of credit facility or who has an exposure is assigned a Uniform Counterparty Rating ("UCR") on a scale of 1 to 8, whereby UCR 1 is of prime quality and UCR 6-8 is in default, according to ABN AMRO's definition of default. The table below provides an overview of the relationship between the internal ratings (UCR) and the counterparty's probability of default and an indication of how the internal ratings of ABN AMRO compares with the external rating agencies Standards & Poor's, Fitch and Moody's.

<b>UCR:</b>	<b>1</b>	<b>2+ to 2</b>	<b>3+ to 3</b>	<b>4+ to 4</b>	<b>5+ to 5</b>	<b>6+</b>	<b>6-8</b>
Expected default rates (%) 2010	0-0.03	0.03-0.13	0.13-0.46	0.46-2.22	2.22-16.97	16.97-100.00	100
Standard & Poor's / Fitch	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	CCC+/C	-
Moody's	AAA/Aa3	A1/A3	Baa1/Baa3	Ba1/Ba3	B1/B3	Caa1/C	-

ABN AMRO manages its retail lending portfolio with a program lending approach. This covers both the loan portfolios of individual clients and small businesses. Loans and receivables - customers are not rated but clients are assessed monthly with a customer risk grade that is calculated taking into account the development of each client's overall client relationships with ABN AMRO.

Although market conditions are challenging, ABN AMRO's portfolio's credit quality is sound and the credit risk profile, in terms of expected loss, remained stable across all businesses during the first half of 2011. The mortgage portfolio quality remains good with a low level of problem loans. The Dutch housing market is, however, slow with slightly declining property prices in real terms. The market is subject to tightening acceptance conditions and uncertainty about the abolition of tax deductibility of home mortgage interest. Inflow of mortgage loans in the defaulted

portfolio is primarily due to customers with two mortgage loans unable to sell their previous homes, with unemployment ranking second as a reason.

The credit quality of the loan portfolio, measured by changes of exposure in the rating distribution, remained constant over the first half of 2011 compared to the year ended 31 December 2010.

An indication of the credit quality of ABN AMRO's portfolio of loans and receivables as at 31 December 2010 and 2009 can be derived from the tables below.

The following table shows the credit quality of the Loans and receivables - banks and Loans and receivables - customers as at 31 December 2010 and 2009 (excluding the impact of harmonization adjustments as described in "The Issuer—Operating and Financial Review—Presentation of Financial Information—Harmonization of accounting policies"):

(in millions of euros)	31 December 2010	31 December 2009
<b>Grade category</b>		
Investment grade (UCR1-UCR3-)	207,229	185,835
Sub investment grade (UCR4+-UCR6+)	61,893	79,415
Default without provision (UCR6)	3,251	5,199
Default with provision (UCR7-UCR8)	6,241	4,917
<b>Total rated</b>	<b>278,614</b>	<b>275,366</b>
Securities borrowing transactions	23,405	27,265
Repurchase agreements	14,952	7,299
Other unrated	4,236	20,042
<b>Total unrated</b>	<b>42,593</b>	<b>54,606</b>
<b>Total rated and unrated</b>	<b>321,207</b>	<b>329,972</b>
Total loans and receivables - banks	41,166	45,122
Total loans and receivables - customers	280,041	284,850
<b>Total loans and receivables</b>	<b>321,207</b>	<b>329,972</b>

The table below shows the credit quality of cash on hand and available demand balances with central banks in countries in which the bank has a presence as at 31 December 2010 and 2009. The credit quality is therefore investment grade. Cash on hand is not rated.

(in millions of euros)	31 December 2010	31 December 2009
<b>Grade category</b>		
Investment grade (UCR1-UCR3-)	326	3,318
Sub investment grade (UCR4+-UCR6+)	-	-
Default without provision (UCR6)	-	-
Default with provision (UCR7-UCR8)	-	-
<b>Total rated</b>	<b>326</b>	<b>3,318</b>
Cash on hand unrated	580	1,050
<b>Total unrated</b>	<b>580</b>	<b>1,050</b>
<b>Total rated and unrated</b>	<b>906</b>	<b>4,368</b>
<b>Total cash and balances at central banks</b>	<b>906</b>	<b>4,368</b>

The table below shows the credit quality of derivatives and securities held for trading as at 31 December 2010 and 2009:

<b>(in millions of euros)</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
<b>Grade category</b>		
Investment grade (UCR1-UCR3-)	11,373	4,921
Sub investment grade (UCR4+-UCR6+)	819	1,519
Default without provision (UCR6)	94	68
Default with provision (UCR7-UCR8)	11	25
<b>Total rated</b>	<b>12,297</b>	<b>6,533</b>
Unrated derivatives held for trading	1,340	3,187
Unrated trading book loans	166	-
<b>Total unrated</b>	<b>1,506</b>	<b>3,187</b>
<b>Total rated and unrated</b>	<b>13,803</b>	<b>9,720</b>
<b>Total assets held for trading</b>	<b>13,803</b>	<b>9,720</b>

The table below shows the credit quality of financial investments as at 31 December 2010 and 2009. These investments represent interest-earning securities:

<b>(in millions of euros)</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
<b>Grade category</b>		
Investment grade (UCR1-UCR3-)	19,284	20,277
Sub investment grade (UCR4+-UCR6+)	67	4
Default without provision (UCR6)	-	-
Default with provision (UCR7-UCR8)	-	-
<b>Total rated</b>	<b>19,351</b>	<b>20,281</b>
Unrated Interest-earning securities	539	-
<b>Total unrated</b>	<b>539</b>	<b>-</b>
<b>Total rated and unrated</b>	<b>19,890</b>	<b>20,281</b>
<b>Total net interest bearing investments</b>	<b>19,890</b>	<b>20,281</b>

The table below shows the credit quality of other assets as at 31 December 2010 and 2009. Other assets represent non-trading derivatives and the amount of the receivables purchased by ABN AMRO (the factor) from its client under a contract of non-recourse factoring:

<b>(in millions of euros)</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
<b>Grade category</b>		
Investment grade (UCR1-UCR3-)	1,296	815
Sub investment grade (UCR4+-UCR6+)	-	-
Default without provision (UCR6)	-	-
Default with provision (UCR7-UCR8)	-	-
<b>Total rated</b>	<b>1,296</b>	<b>815</b>
Reinsures shares, trade and other receivables	1,872	1,684
Balancing temporary amounts between trade date and settlement date	177	1,845
Unrated non-trading derivative assets	216	-
<b>Total unrated</b>	<b>2,265</b>	<b>3,529</b>
<b>Total rated and unrated</b>	<b>3,561</b>	<b>4,344</b>
<b>Total Other assets</b>	<b>3,561</b>	<b>4,344</b>

### ***Credit Risk Mitigation***

Credit risk mitigation is the technique of reducing credit risk associated with a credit facility or exposure. The bank primarily reduces credit risk by obtaining security/collateral (together referred to as collateral). Collateral is any commitment made or privilege given by a counterparty or third party to which the bank can seek recourse in the event of the counterparty's default in order to reduce credit losses.

Collateralisation is regarded as a complement to, and not a replacement for, credit analysis of the counterparty. Collateral is monitored regularly to ensure that it remains legally effective and enforceable and of sufficient value. Depending on the type of collateral periodical reassessments of the value is required. The frequency of monitoring is for all types of collateral based on value volatility, significant market changes or significant decrease of creditworthiness of the counterparty.

Monitoring and review of the collateral value takes place in addition to the regular reassessment of the creditworthiness of the obligor as required in the credit review process.

There are several policies in place within the bank that specifically define which types of collateral are acceptable to the bank as credit risk mitigators. Collateral is obtained if and when required prior to the disbursement of approved loans. ABN AMRO ensures that it has clear rights over the collateral, which are legally effective and enforceable at all times.

Collateral value is determined by means of a prudent valuation approach based on a range of criteria, including the nature and specific type of the collateral, its liquidity and the volatility of its price. It also incorporates the forced-sale context in which the collateral would be required to be realized and the degree of priority of ABN AMRO's rights.

Collateral and guarantees received as security for financial assets are as follows:

<b>(in millions of euros)</b>	<b>31 December 2010</b>				
	<b>Collateral received</b>				
	<b>Carrying amount</b>	<b>Financial instruments</b>	<b>Property, plant &amp; equipment</b>	<b>Other collateral and guarantees</b>	<b>Total Collateral received</b>
<b>Total Loans and receivables - banks</b>	<b>41,117</b>	<b>23,379</b>	<b>-</b>	<b>2,715</b>	<b>26,094</b>
<i>Loans and receivables – customers</i>					
Residential mortgages (including fair value adjustment from hedge accounting)	161,530 <sup>(1)</sup>	578	185,447	703	186,728
Other consumer loans	13,859	1,790	518	3,820	6,128
<b>Total consumer loans</b>	<b>175,389<sup>(1)</sup></b>	<b>2,368</b>	<b>185,965</b>	<b>4,523</b>	<b>192,856</b>
Commercial loans (including fair value adjustment from hedge accounting)	79,255	3,724	21,668	14,800	40,192
Other commercial loans	16,041	16,547			16,547
<b>Total commercial loans</b>	<b>95,296</b>	<b>20,271</b>	<b>21,668</b>	<b>14,800</b>	<b>56,739</b>

Government and official institutions	3,259			216	216
<b>Total Loans and receivables - customers</b>	<b>273,944<sup>(1)</sup></b>	<b>22,639</b>	<b>207,633</b>	<b>19,539</b>	<b>249,811</b>
Accrued income and prepaid expenses	4,169	-	-	-	-
<b>Total accrued income and prepaid expenses</b>	<b>4,169</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other assets	3,561	2	-	276	278
<b>Total on-balance</b>	<b>322,791<sup>(1)</sup></b>	<b>46,020</b>	<b>207,633</b>	<b>22,530</b>	<b>276,183</b>
Total off-balance <sup>(2)</sup>	101,15	192	537	7	736
<b>Total credit exposure</b>	<b>424,006<sup>(1)</sup></b>	<b>46,212</b>	<b>208,170</b>	<b>22,537</b>	<b>276,919</b>

<sup>(1)</sup> Unaudited and adjusted for harmonization as described in "The Issuer—Operating and Financial Review—Presentation of Financial Information—Harmonization of accounting policies" and extracted from Interim Financial Statements 2011. (2010 reported Residential mortgages: EUR 163,341 million; 2010 reported Total consumer loans: EUR 177,200 million; 2010 reported Total Loans and receivables – customers: EUR 275,755 million; 2010 reported Total on-balance: EUR 324,602 million; 2010 reported Total credit exposure: EUR 425,817 million).

<sup>(2)</sup> Includes revocable credit facilities.

(in millions of euros)	31 December 2009				
	Carrying amount	Financial instruments	Property, plant & equipment	Collateral received	
Other collateral and guarantees				Total Collateral received	
<b>Total Loans and receivables - banks</b>	<b>45,062</b>	<b>20,366</b>	<b>-</b>	<b>184</b>	<b>20,550</b>
<i>Loans and receivables – customers</i>					
Residential mortgages (including fair value adjustment from hedge accounting)	162,691	144	186,500	607	187,251
Other consumer loans	13,841	1,590	-	1,594	3,184
<b>Total consumer loans</b>	<b>176,532</b>	<b>1,734</b>	<b>186,500</b>	<b>2,201</b>	<b>190,435</b>
Commercial loans (including fair value adjustment from hedge accounting)	83,626	3,453	16,880	21,526	41,859
Other commercial loans	16,535	15,813	1,711	154	17,678
<b>Total commercial loans</b>	<b>100,161</b>	<b>19,266</b>	<b>18,591</b>	<b>21,680</b>	<b>59,537</b>
Government and official institutions	4,036			201	201
<b>Total Loans and receivables - customers</b>	<b>280,729</b>	<b>21,000</b>	<b>205,091</b>	<b>24,082</b>	<b>250,173</b>
Accrued income and prepaid expenses	3,532	-	-	-	-
<b>Total accrued income and prepaid expenses</b>	<b>3,532</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other assets	4,344	2	-	310	312
<b>Total on-balance</b>	<b>333,667</b>	<b>41,368</b>	<b>205,091</b>	<b>24,576</b>	<b>271,035</b>
Total off-balance <sup>(1)</sup>	94,317	454	3,735	552	4,741
<b>Total credit exposure</b>	<b>427,984</b>	<b>41,822</b>	<b>208,826</b>	<b>25,128</b>	<b>275,776</b>

<sup>(1)</sup> Includes revocable credit facilities.

### ***Management of Loans at Risk and Impaired Loans***

Loans at risk are primarily exposures for which signals have been detected indicating that the counterparty may become impaired in the future. Loans at risk are classified into different risk categories for individual counterparties and arrears buckets for groups of aggregated counterparties in order to optimize monitoring and review of these loans. According to the bank Uniform



Counterparty Rating (UCR), loans at risk with ratings 7 and 8 are impaired. Other loans at risk are still non-impaired but will likely be impaired in the near future.

***Past due credit exposure***

A financial asset is past due if a counterparty has failed to make a payment when contractually due or if it has exceeded an advised limit or has been advised of a limit lower than its current outstanding. Financial assets that have reached the "90 days past due" trigger are automatically classified as being in default. The table below provides information on the ageing of past due financial assets not classified as defaulted (financial assets that have reached the "90 days past due" trigger are therefore not included):

<b>(in millions of euros)</b>	<b>31 December 2010</b>				
	<b>Carrying amount of assets (not classified as impaired)</b>	<b>≤30 days past due</b>	<b>&gt;30 days &amp; ≤60 days past due</b>	<b>&gt;60 days &amp; &lt;90 days past due</b>	<b>Total</b>
<b>Total Loans and receivables - banks</b>	<b>41,027</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>
<i>Loans and receivables – customers</i>					
Residential mortgages (including fair value adjustment from hedge accounting)	162,359	1,965	569	390	2,924
Other consumer loans	13,471	128	14	16	158
<b>Total consumer loans</b>	<b>175,830</b>	<b>2,093</b>	<b>583</b>	<b>406</b>	<b>3,082</b>
Commercial loans (including fair value adjustment from hedge accounting)	76,456	1,076	79	670	1,825
Other commercial loans	15,830	7	1	6	14
<b>Total commercial loans</b>	<b>92,286</b>	<b>1,083</b>	<b>80</b>	<b>676</b>	<b>1,839</b>
Government and official institutions	3,256	123	4	171	298
<b>Total Loans and receivables - customers</b>	<b>271,372</b>	<b>3,299</b>	<b>667</b>	<b>1,253</b>	<b>5,219</b>
Accrued income and prepaid expenses	4,169	-	-	-	-
<b>Total accrued income and prepaid expenses</b>	<b>4,169</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other assets	3,542	459	46	65	570
<b>Total</b>	<b>320,110</b>	<b>3,759</b>	<b>713</b>	<b>1,318</b>	<b>5,790</b>

(in millions of euros)

31 December 2009

	Carrying amount of assets (not classified as impaired)	≤30 days past due	>30 days & ≤60 days past due	>60 days & <90 days past due	Total
<b>Total Loans and receivables - banks</b>	<b>44,954</b>	-	-	-	-
<i>Loans and receivables – customers</i>					
Residential mortgages (including fair value adjustment from hedge accounting)	161,674	1,942	706	695	3,343
Other consumer loans	13,654	207	27	31	265
<b>Total consumer loans</b>	<b>175,328</b>	<b>2,149</b>	<b>733</b>	<b>726</b>	<b>3,608</b>
Commercial loans (including fair value adjustment from hedge accounting)	80,889	1,404	414	327	2,145
Other commercial loans	16,369	10	2	7	19
<b>Total commercial loans</b>	<b>97,258</b>	<b>1,414</b>	<b>416</b>	<b>334</b>	<b>2,164</b>
Government and official institutions	4,033	74	-	143	217
<b>Total Loans and receivables - customers</b>	<b>276,619</b>	<b>3,637</b>	<b>1,149</b>	<b>1,203</b>	<b>5,989</b>
Accrued income and prepaid expenses	3,532	-	-	-	-
<b>Total accrued income and prepaid expenses</b>	<b>3,532</b>	-	-	-	-
Other assets	4,303	377	34	72	483
<b>Total</b>	<b>329,408</b>	<b>4,014</b>	<b>1,183</b>	<b>1,275</b>	<b>6,472</b>

### ***Impairment and Impaired Credit Risk***

A financial asset is classified as impaired if one or more loss events are identified that have a negative impact on the estimated future cash flows related to that financial asset. Events considered to be loss events include situations where:

- the counterparty is unlikely to pay its credit obligations in full, without recourse by the bank to actions such as realising collateral;
- the counterparty has a material credit obligation that is past due for more than 90 days (overdrafts will be considered overdue once the client has exceeded an advised limit).

The bank classifies loans as impaired in response to a series of obligatory and judgemental triggers that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Obligatory triggers result in the counterparty being classified as defaulted and include bankruptcy, financial restructuring and 90 days past due. Judgemental triggers include, but are not limited to, elements such as negative equity, regular payment problems, improper use of credit lines and legal action by other creditors. They could – but do not necessarily – result in the counterparty being classified as impaired.

Loan or debt restructuring is the change of one or more terms of an existing loan or debt agreement for economic or legal reasons related to the debtor's financial difficulties. A loan or debt restructuring process in itself does not constitute a trigger for changing a loan's status from impaired to normal; restructured loans or debts therefore retain their impaired status after

restructuring. As a consequence, the performing loan portfolio (i.e. non- impaired) contains no material credit exposure with respect to such restructured loans or debts as at 31 December 2010.

Impairment for specific credit risk is established if there is objective evidence that the bank will not be able to collect all amounts due in accordance with contractual terms. The amount of the impairments is the difference between the carrying amount and the recoverable amount, i.e. the present value of expected cash flows and the collateral value less selling costs, if the loan is secured.

The impaired portfolio (grade category ‘defaults with provision’) increased by EUR 403 million from 31 December 2010 to 30 June 2011 in amounts outstanding (an increase of 6%). The increase in the total impaired portfolio is mainly due to inflows from residential mortgage loans, and Business Banking exposures.

Impairment for credit risk is established if there is objective evidence that ABN AMRO will not be able to collect all amounts due in accordance with contractual terms. The amount of the impairments is the difference between the carrying amount and the recoverable amount, i.e. the present value of expected cash flows and the collateral value less selling costs, if the loan is secured.

There were no significant changes in the total level of impairments for credit risk. Impairments for credit risk for loans to banks decreased to EUR 36 million (31 December 2010: EUR 49 million). Impairments for credit risk for loans to customers decreased slightly to EUR 4,201 million (31 December 2010: EUR 4,286 million). Overall, loan impairments over the first half of 2011 (EUR 310 million) were somewhat lower than the impairments over the first half of 2010 (EUR 348 million). This was due to lower new allowances, partially offset by lower releases of impairment allowances no longer required.

Given the net inflow in impaired loans and the slight decrease in impairments for specific credit risk, the coverage ratio decreased, both in R&PB and C&MB. The overall coverage ratio by 30 June 2011 equalled 55%, remaining within acceptable parameters (31 December 2010: 62%).

The tables below provide information on impairments and impaired credit risk as at 31 December 2010 and 2009:

	At 31 December					
	2010			2009		
	Impaired outstanding	Impairments for specific credit risk	Coverage ratio	Impaired outstanding	Impairments for specific credit risk	Coverage ratio
	<i>(in millions of euros)</i>					
<b>Total Loans and receivables - banks</b> .....	<b>139</b>	<b>(49)</b>	<b>35.3%</b>	<b>168</b>	<b>(60)</b>	<b>35.7%</b>
<i>Loans and receivables – customers</i>						
Residential mortgages.....	1,244	(262)	21.1%	1,242	(225)	18.1%
Other consumer loans .....	739	(351)	47.5%	604	(418)	69.2%
<b>Total consumer loans</b> .....	<b>1,983</b>	<b>(613)</b>	<b>30.9%</b>	<b>1,846</b>	<b>(643)</b>	<b>34.8%</b>
Commercial loans .....	6,472 <sup>(1)</sup>	(3,638)	56.2%	6,216 <sup>(1)</sup>	(3,448)	55.5%
Other commercial loans.....	211	(33)	15.6%	166	(28)	16.9%
<b>Total commercial loans</b> .....	<b>6,683</b>	<b>(3,671)</b>	<b>54.9%</b>	<b>6,382</b>	<b>(3,476)</b>	<b>54.5%</b>
Government and official institutions.....	3	(2)	66.7%	3	(2)	66.7%

	At 31 December					
	2010			2009		
	Impaired outstanding	Impairments for specific credit risk	Coverage ratio	Impaired outstanding	Impairments for specific credit risk	Coverage ratio
	<i>(in millions of euros)</i>					
<b>Total Loans and receivables – customers</b> .....	<b>8,669</b>	<b>(4,286)</b>	<b>49.4%</b>	<b>8,231</b>	<b>(4,121)</b>	<b>50.1%</b>
Other assets.....	23	(3)	13.0%	46	(5)	10.9%
<b>Total on-balance</b> .....	<b>8,831</b>	<b>(4,338)</b>	<b>49.1%</b>	<b>8,445</b>	<b>(4,186)</b>	<b>49.6%</b>
Total off-balance.....	468		0.0%	445		0.0%
<b>Total impaired credit risk exposure</b> .....	<b>9,299</b>	<b>(4,338)</b>	<b>46.7%</b>	<b>8,890</b>	<b>(4,186)</b>	<b>47.1%</b>

<sup>(1)</sup> Includes the full amount of the Madoff exposure

### ***IBNI Impairments***

Incurred but not identified (IBNI) impairments on loans represents losses inherent in components of the non-impaired portfolio that have not yet been specifically identified.

The scope of the calculation of the IBNI impairments covers all financial assets found not to be individually impaired from the categories Loans and receivables - banks, Loans and receivables - customers and Trade receivables. All related off-balance items such as credit commitments are also included.

The IBNI calculation combines the Basel II concept of expected loss on a one-year time horizon with intrinsic elements such as loss identification period ("LIP"), cycle adjustment factor and expert views.

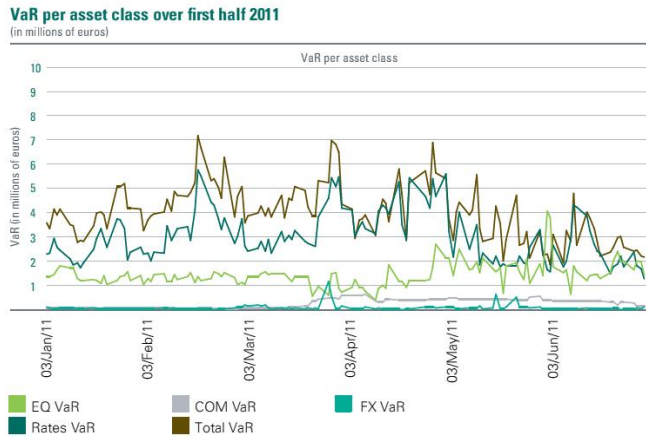
### **Market risk (trading book)**

Market risk is the risk of loss resulting from unfavorable market price movements that can arise from trading or holding positions in financial instruments in the trading book. ABN AMRO is mainly exposed to market risk through client-facilitating activities carried out by Markets. Within the overall risk mandate of the bank, dedicated risk committees approve mandates and set limits for each trading desk as well as for the combined trading activities and monitor usage.

### ***Value-at-Risk***

For internal purposes, ABN AMRO manages market risk daily on a portfolio basis. The key indicators used are Value-at-Risk (VaR) and a wide array of stress tests. VaR is a statistical measure that estimates potential losses and is defined as the predicted loss that might be caused by changes in risk factors under normal circumstances, over a specified period of time, and at a specified level of statistical confidence. The VaR model is based on historical simulation and assumes a one-day holding period and a 99% confidence level. In addition to VaR and stress tests, ABN AMRO uses indicators that are characteristic for the specific portfolio or risk factor.

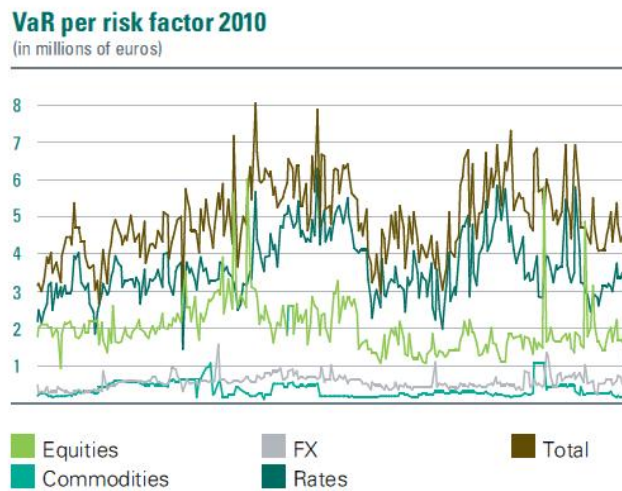
*VaR per asset class for six months ended 30 June 2011:*



Since April 2011, the VaR of the equity activities and the Rates/FX activities are calculated in one integrated VaR Model. Part of the lower VaR in the second quarter is therefore attributable to the inclusion of the diversification effect. Because of the increasing turbulence in the run up to the summer, positions were further reduced, resulting in a VaR of EUR 2.2 million at the end of June.

*VaR per asset class for year ended 31 December 2010:*

Prior to April 2011, the VaR models of FBN and ABN AMRO Bank were not yet fully aligned. Therefore, the diversification effects across the FBN and ABN AMRO Bank portfolios was not taken into account. ABN AMRO takes the approach of calculating the VaR for FBN and ABN AMRO Bank separately.



The table below shows Value-at-Risk including all risk factors:

<u>(in millions of euros)</u>	<u>Year ended 31 December 2010</u>	<u>Six months ended 31 December 2009</u>
VaR as of 31 December	4.4	3.1
Highest VaR	8.1	7.2
Lowest VaR	2.6	1.8
Average VaR	4.9	3.3

The increase in the average VaR over 2010 mainly results from increasing interest rate risk, and to a lesser extent currency and commodity risk, while equity risk was fairly constant compared with 2009. The increase in VaR also reflects the rebuilding of the ABN AMRO's presence in the financial markets.

#### *Back testing*

VaR forecasts are compared with calculated market-to-market changes using daily market-data variations. The number of outliers is benchmarked with statistical metrics to determine the reliability of the VaR model. Back testing measures on a one-year rolling window the number of losses exceeding the VaR prediction, given a confidence interval of 99%. This means that such losses should occur only once every 100 business days. In 2010, the number of outliers did not exceed the 1% threshold.

#### *The limits framework*

Market risk limits are strategic restrictions reflecting the risk tolerance of the bank, the nature of trading activities, and perceived trading and management skills. A limits framework was developed with two primary goals: first, to protect the bank's capital and earnings and second, to allow traders to take risks in support of client business. Limits prevent the accumulation of market risk beyond the bank's appetite and reflect the mandates of trading units.

The Managing Board sets overall VaR limits for each segment and delegates responsibility for managing the bank's market risk exposures within these limits to GRC for trading activities and to ALCO for non-trading treasury positions.

#### *Stress and scenario testing*

Stress and scenario tests are important risk-management tools that the bank uses as part of its internal risk management. Moreover, stress testing supplements other risk-management approaches and measures. It plays a particularly important role in providing forward-looking assessments of risk and in overcoming the limitations of models and historical data. Limits are set for stress and scenario tests. They are considered to be triggers to review exposures against risk appetite and to prompt management action.

Stress and scenario testing is designed to focus specifically on tail events, i.e. events outside the VaR confidence interval. ABN AMRO runs daily stress tests for large moves in single risk factors. In addition, the impact of extreme market events covering multiple risk factors is determined simultaneously. These extreme scenarios can either be historical or hypothetical. The hypothetical scenarios allow the bank to simulate new shocks of unforeseen magnitude. The various scenarios are assessed on a regular basis and, when appropriate, are updated and extended.

## **Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal and compliance risk, but excludes strategic/business and reputation risk. Some examples of operational risk are wrongful execution of an order, fraud, litigation for noncompliance with law or client specified guidelines, natural disasters and terrorism. Mitigating actions can be risk avoidance, reduction or transfer, or improving control.

Despite the ABN AMRO's transition process no significant operational losses have occurred.

### ***One bank-wide framework for operational risk***

The bank has opted for a single, all-embracing operational risk-management framework for the entire bank. This framework supports the organisation in effectively increasing operational risk awareness, monitoring operational risk and measuring the operational risk profile and its associated own-funds requirement.

A comprehensive risk-management organisation and operational risk policy have been implemented consistently bank-wide, at legal entity and business level. Global and local operational risk managers have been assigned to all bank-related businesses (including support functions) and relevant legal entities.

Management control is an integrated part of the framework, with all management teams through to the Managing Board assessing risks that could jeopardize their business objectives. This process is detailed in "—Management Control Statements".

### ***Operational risk mitigation and control***

The bank has a variety of instruments in place to control and mitigate operational risk. Risk assessments, loss-data analysis and key risk-indicator movements are ways to control operational risks.

Risk assessments at strategic and operational levels form a key instrument for risk management. An intensive risk assessment program was implemented throughout the organisation to identify operational risks, particularly during the separation and integration process. Moreover, the use of risk-assessment data is a key element in ensuring the embedding and use of the operational risk framework at all levels in the organisation.

### ***Management Control Statements***

Centrally coordinated operational risk-mitigation techniques are a means of business continuity management, control management and insurance. Embedding operational risk practices throughout the organisation is accounted for in Management Control Statements.

In line with industry practice, the bank has a process in place by which the bank's senior management analyses and reports on the effectiveness of internal controls and defines the actions necessary to remedy any significant failings or weaknesses in the internal risk control process. The assessments of event risk and business risk are part of that process, in addition to information regarding the other types of risk.

Based on this risk assessment, management teams sign their Management Control Statements and formulate action plans (if necessary) to improve management and control. Management Control Statements produced at the end of each year attest to the functioning of the risk management and internal control system during the year. RM&S coordinates quarterly reporting on the follow-up to these action plans.

### ***Business continuity management***

Business continuity management is a management process that identifies potential threats to an organisation and their eventual impact, if realized, on business operations. It provides a framework for building organisational resilience, enabling the bank to respond effectively to safeguard the interests of its stakeholders and to protect its reputation, brand and value-creating activities.

### ***Risk transfer through insurance***

ABN AMRO has corporate insurance programs in place to mitigate losses of specific event risks and to transfer event risks to the external market. In line with industry practices, the bank purchases the following insurance policies from third-party insurers: combined bankers blanket bond, computer crime and professional liability insurance; directors' and officers' insurance.

### ***Information security***

For a financial services provider such as ABN AMRO, information is critical. Financial services are knowledge and information intensive and reliable information is essential to the bank's success. Information must, therefore, be protected at all times against a wide range of threats. ABN AMRO has established a structured information security approach to ensure the confidentiality, integrity and availability of information.

The bank's policies and standards on information security define the organisational framework, management and staff responsibilities as well as information security directives that apply throughout ABN AMRO, the vendors to whom handling of information has been outsourced, and to third parties with whom the bank exchanges information. Businesses and support functions pursue the bank's information security policies on a "comply or explain" basis.

### **Liquidity risk**

Liquidity risk is the risk that actual (and potential) payments or collateral posting obligations cannot be met when they are due. It has two components, described below.

Funding liquidity risk is the risk that expected and unexpected cash demands of deposit, policyholders and other contract holders cannot be met without incurring unacceptable losses or without endangering the business franchise.

Market liquidity risk is the risk that a firm cannot easily offset or eliminate a position without significantly affecting the market price because of inadequate market depth or market disruption. As such, it is related to market risk. Market liquidity risk is the sensitivity of the liquidity value of a portfolio due to changes in the applicable haircuts and market value. It also concerns uncertainty of the timescale necessary to realize the liquidity value of the assets.



For a quantitative assessment of ABN AMRO's liquidity risk exposures, please refer to "The Issuer—Liquidity and Funding".

### ***Liquidity risk organisation***

Liquidity risk management entails retaining control of the management of funding resources while maintaining a portfolio of highly marketable assets that can be liquidated as a protection against any unforeseen interruption of cash flows.

The ALCO is responsible for liquidity risk management and hence decides on the governance structure with regard to liquidity risk, which includes policy-setting and liquidity risk procedures.

ALM/Treasury, which reports to both the Risk Management and Finance organisations, advises the ALCO on the necessary liquidity buffer, the funding strategy and the liquidity contingency plan. The department is also responsible for performing stress testing, monitoring liquidity flows and executing the funding strategy. The business lines are subject to liquidity incentives through, among other things, the funds transfer pricing framework.

### ***Liquidity risk management***

ABN AMRO takes a two-step approach to liquidity risk management: a going concern liquidity management approach and a contingency liquidity risk approach, both of which are discussed in the following paragraphs.

Going concern liquidity management entails the management of the day-to-day liquidity position within specified parameters to ensure all liabilities can be met on a timely basis. The most important metrics used within the bank are described in "The Issuer—Liquidity and Funding".

To ensure sound liquidity management, these indicators need to be considered in combination with the funding diversification and the maturity profile as described in "The Issuer—Liquidity and Funding".

### ***Contingency liquidity risk management***

The second step of the liquidity risk management approach is contingency liquidity risk management, which aims at ensuring that in the event of either a firm-specific or general market event, the bank is able to generate sufficient liquidity to withstand a short or long-term liquidity crisis. Contingency liquidity risk management includes the following tools:

- Stress test: A quantitative analysis of the liquidity impact of several (market- and company-specific) liquidity crises scenarios;
- Regulatory liquidity requirement: This is a minimum regulatory liquidity requirement that the bank must comply with at all times. It measures the one-month liquidity position in the scenario of severe and short stress as defined by DNB, which requires the one month liquidity position to always exceed the minimum required regulatory level of zero. The bank comfortably met the DNB minimum requirement in 2010;
- Liquidity buffer: A liquidity buffer with sufficient collateral is retained as a safety cushion in the event of severe liquidity stress for, for example, participation in ECB

tenders. The liquidity buffer portfolio mainly consists of retained RMBS (prior to April 2011), government bonds and cash.

A quantitative analysis of these tools can be found in "The Issuer—Liquidity and Funding".

### **Banking Book Risk**

Banking book risk is defined as the risk that the value of ABN AMRO's financial assets, other than those categorized as trading assets (the "banking book"), decreases and/or that the value of the bank's liabilities increases, due to changes in market rates. The main examples of banking book risks are interest rate risk, pension liability risk and, to a lesser extent, FX risk.

### ***Interest Rate Risk***

The overall objective of interest rate risk management, which is part of the banking book risk, is to manage current and future earnings sensitivity due to interest rate risk exposure. Further improvements to monitoring and managing the interest rate risk position have been implemented. In the first half of 2011, ABN AMRO introduced absolute sensitivity as an additional indicator to measure the mismatch.

ALCO is responsible for the management of interest rate risk (banking book) within the bank. The execution of decisions and day-to-day management of the positions is delegated to ALM/Treasury. The Funds Transfer Price ("**FTP**") is the internal interest rate that a commercial business line either pays or receives from ALM/Treasury. The FTP is used to transfer interest rate risk and liquidity risk from the commercial business lines to ALM. The FTP offers the ALCO a strong steering mechanism to remain in control of these two risk factors in the banking book. Shortly after the Legal Merger, a new FTP Policy for the combined ABN AMRO was implemented. This new policy accounts for the latest requirements in terms of interest rate risk and liquidity risk management.

ABN AMRO measures, monitors and controls its interest rate risk using the following indicators:

- Net interest income ("**NII**"). Net interest income is the difference between revenues generated by interest-earning assets and the cost of servicing (interest-burdened) liabilities. The NII consists of the commercial margin and the interest rate risk mismatch. The bank's interest result depends mainly on the margin. There is a relationship between the level of market interest rates and the level of margin. In a higher-yielding interest rate environment, the bank benefits from products that are not rate sensitive, such as retail current accounts. By the same reasoning, the bank has short-term funding, meaning lower interest rates are beneficial for the bank. On balance, the bank benefits from higher interest rates.

Part of the bank's interest result is related to the mismatched position. For this mismatched position, the steepness of the yield curve is more important than the level of the curve. ABN AMRO monitors the development of the NII under different yield curve scenarios. Due to the mismatch position the NII is negatively impacted when rates rise, especially when the short end of the yield curve increases. The short-end positions are part of the Money Markets book and are monitored and managed on a daily basis.

- **NII-at-Risk.** The risk of changes in the NII is measured on a scenario-based analysis. The NII-at-Risk metric indicates the change in net interest income during the next 12 months, comparing the NII calculated using a constant yield curve with the NII calculated using a yield curve that is gradually shifted to a total of 200 basis points. NII is negatively impacted when rates rise.
- **Duration of equity.** Duration of equity indicates the sensitivity of the market value of equity to a 1% parallel change in the yield curve. The targeted interest risk profile results in a limit of the duration of equity between 0 and 7 years.
- **Absolute sensitivity.** This adds the different positions on the yield curve, regardless of whether they are positive or negative. It measures the absolute interest rate position.
- **Value-at-Risk (VaR).** Value-at-Risk is used as a statistical measure for assessing interest risk exposure. It estimates potential losses and is defined as the predicted maximum loss that might be caused by changes in risk factors under normal circumstances, over a specified period of time, and at a specified level of statistical confidence. A VaR for changes in the interest rate for the banking book is calculated at a 99% confidence level and a two-month holding period.

The following table shows the evolution of these indicators during the period under review.

	<u>30 June 2011</u>	<u>31 December 2010</u>	<u>31 December 2009<sup>(1)</sup></u>
NII-at-risk (in %)	2.1	2.2	2.1
Duration of equity (in years)	3.2	4.2	4.5
Absolute sensitivity (in EUR millions)	20.3	15.4	N/R
VaR banking book (in EUR millions)	651	673	574
<sup>(1)</sup> Unaudited.			

In line with the flattening of the yield curve and the outlook for interest rate developments, the overall interest rate risk position decreased during the first half of 2011 after increasing during 2010. This overall decrease is reflected in the development of the NII-at-Risk, duration and the VaR. Along with the decrease, certain positions have been taken to profit from the inverse shape of the long end of the yield curve resulting in an increase of the absolute sensitivity.

### ***Hedging***

Derivatives are used to offset identified exposures to interest rate risk of the banking book. These transactions were mainly in interest rate swaps. For asset and liability management purposes, assets and liabilities in a similar interest rate index cluster in a particular month are first considered as a natural offset for economic hedging. A swap transaction may be entered into to manage the remaining interest income sensitivity. The notional amount of a swap is designated to hedge the re-pricing cash flow exposure of a designated portion of current and forecasted assets and current and forecasted liabilities, respectively, in the clusters described above.

The swap transaction is designated for hedge-accounting purposes as a hedge of a gross position of a cluster of projected assets or a cluster of projected liabilities. As a result, the swap will only hedge an identified portion of a cluster of projected assets or projected liabilities. Also, the swap will only hedge the applicable floating swap-rate portion of the interest re-pricing and re-

investment risk of the cluster. More information is provided in note 40 of the Annual Financial Statements.

### ***Currency risk***

Currency risk is the translation risk that stems from a change in the exchange rate of that currency to the functional currency of ABN AMRO (euros). No foreign translation risk is taken in the banking book position, as ABN AMRO applies the following principles:

- Loans and bond investments in currencies other than the functional currency of ABN AMRO must be hedged by a funding in the corresponding currency;
- Participating interests in currencies other than the functional currency of ABN AMRO must be hedged by a funding in the corresponding currency. ABN AMRO's policy is to hedge via short-term funding in the corresponding currency where possible. Net investment-hedge accounting is applied;
- The results of branches and subsidiaries in currencies other than the functional currency of ABN AMRO's activities are on selective positions hedged on a regular basis (monthly or quarterly).

Exceptions to this general rule must be approved by the ALCO.

### **Pension liability risk**

Pension liability risk is the risk that ABN AMRO must provide additional funds to its employee pension fund as a result of guarantees and commitments. ABN AMRO sponsors a number of pension schemes for its employees, under which it has an obligation to pay contributions for the aggregate pension rights of participants in these pension schemes. Most participants have accrued rights under defined benefit plans within these schemes.

ABN AMRO's pension risk is the risk of a shortfall in the coverage of these pension obligations in relation to the participants' rights under these defined benefit plans. Additional contributions to cover its pension obligations to current and former employees may be required from time to time. ABN AMRO's defined benefit pension obligations are calculated at the discounted present value of these accrued pension rights.

Parameters that have an impact on the obligations are interest rate levels, investment risks and increases in life expectancy, which are outside of ABN AMRO's control.

### **Business risk**

Business risk is the risk of lower than expected pre-tax earnings, through changes in volumes, margins and costs as a result of reputation risks, strategic risks and sensitivity to external business risk drivers. This includes changes in the competitive and economic environment and political risks. Sensitivity to business risk drivers can be mitigated by effective management practices. In one of its simplest forms, business risk is regarded as the risk that, due to changes in margins and volumes, earnings will fall below the fixed cost base. Business risk is managed throughout the organisation. The higher the variable part of the total costs, the better the ability to continue making profit in the event of falling revenues.

### **Transversal risk types**

The risk types that are recognized as overarching or potentially covered in more than one other risk type have been clustered as "transversal" risks types. Transversal risks are risks that can be part of, or can have direct impact on, any risk type or collection of risk types in the risk taxonomy. Examples of transversal risk types are: macro, political, model, transition, reputation, remuneration, legal, HR and financial-reporting risk, in each case as described in "Risk Factors".

## 8 SELECTED STATISTICAL INFORMATION

Set out below are certain statistical disclosures, including ABN AMRO's financial assets and liabilities held for trading, details of its loan portfolio and a maturity analysis of its assets and liabilities. This Base Prospectus has been prepared in accordance with the rules and regulations of Euronext in Amsterdam and the AFM, which has disclosure requirements which are different from those of the United States. In particular, the information below is not presented in the form or with the content that would be required in an offering registered pursuant to the Securities Act.

Except where otherwise noted, figures below are presented on an underlying rather than on a reported basis. For an explanation of the adjustments to the reported figures (where applicable), see "The Issuer—Operating and Financial Review".

Figures below are presented as at and for the year ended 31 December 2010 and 2009, and where available, as at and for the six months ended 30 June 2011.

### 8.1 Harmonization of financial information

The following discussion reflects, where indicated, the accounting harmonization described in "The Issuer—Operating and Financial Review—Presentation of Financial Information—Harmonization of accounting policies", which led to netting adjustments and reclassifications of certain line items in the condensed consolidated statement of financial position.

### 8.2 Financial Assets and Liabilities Held for Trading

The tables below shows the composition of financial assets and liabilities held for trading for the six months ended 30 June 2011 and the years ended 31 December 2010 and 2009.

#### Financial assets held for trading

The table below shows the composition of assets held for trading as at 30 June 2011 and 31 December 2010 and 2009:

	At 30 June	At 31 December	
	2011	2010	2009
		<i>(in millions of euros)</i>	
<b>Debt securities:</b>			
Treasury bills.....	-	75	-
Government bonds.....	3,800	2,822	985
Corporate debt securities.....	1,073	813	491
Equity securities.....	13,154	10,497	10,622
Total trading securities.....	18,027	14,207	12,098
<b>Derivatives held for trading</b>			
Over the counter (OTC).....	8,666	7,998	6,790
Exchange traded.....	280	213	332
Total trading derivatives.....	8,946	8,211	7,122
Trading book loans.....	1,088	1,716	1,058
Other assets held for trading.....	635	166	64
<b>Total assets held for trading.....</b>	<b>28,696</b>	<b>24,300</b>	<b>20,342</b>

As at 30 June 2011, Financial assets held for trading increased by EUR 4.4 billion from 31 December 2010 as a result of an increase in government bonds in the trading portfolio and equity securities in the trading portfolio. As at 30 December 2010, Financial assets held for trading increased by EUR 4 billion from 31 December 2009 as a result of an increase in government bonds in the trading portfolio.

### Financial liabilities held for trading

The table below shows the composition of liabilities held for trading as at 30 June 2011 and 31 December 2010 and 2009:

	At 30 June	At 31 December	
	2011	2010	2009
		<i>(in millions of euros)</i>	
Short security positions.....	12,692	10,584	20,392
<b>Derivative financial instruments:</b>			
Over the counter (OTC).....	8,772	8,351	6,056
Exchange traded.....	334	257	436
Total derivatives held for trading.....	9,106	8,608	6,492
Other liabilities held for trading.....	432	790	67
<b>Total liabilities held for trading.....</b>	<b>22,230</b>	<b>19,982</b>	<b>26,951</b>

As at 30 June 2011, financial liabilities held for trading increased by EUR 2.2 billion from 31 December 2010, due primarily to an increase in short security positions. As at 31 December 2010, financial liabilities held for trading decreased by EUR 7.0 billion from 31 December 2009, due chiefly to a decline in short term security positions and partly offset by an increase in derivatives held for trading.

## 8.3 Loan Portfolio

### Outstanding loans to banks and to customers

The table below sets out outstanding loans to banks and to customers as at 30 June 2011 and 31 December 2010 and 2009:

	At 30 June	At 31 December	
	2011	2010	2009
		<i>(in millions of euros)</i>	
<b>Loans and receivables – banks</b>			
Interest-bearing deposits.....	7,833	7,312	20,020
Loans and advances.....	4,650	5,379	3,702
Reverse repurchase agreements.....	5,057	2,856	3,102
Securities borrowing transactions.....	29,157	21,162	16,643
Mandatory reserve deposits with central banks.....	2,974	4,187	1,202
Other.....	135	270	453
<b>Total Loans and receivables – banks.....</b>	<b>49,806</b>	<b>41,166</b>	<b>45,122</b>
Impairments.....	(36)	(49)	(60)
<b>Total Loans and receivables – banks.....</b>	<b>49,770</b>	<b>41,117</b>	<b>45,062</b>

	<u>At 30 June</u>	<u>At 31 December</u>	
	<u>2011</u>	<u>2010</u>	<u>2009</u>
	<i>(in millions of euros)</i>		
<b>Loans and receivables – customers</b>			
Government and official institutions .....	3,087	3,259	4,036
Residential mortgages .....	158,075	159,494 <sup>(1)</sup>	161,205
Consumer loans .....	13,789	14,210	14,258
Commercial loans .....	82,242	82,346	86,405
Fair value adjustment from hedge accounting	2,155	2,880	2,411
Reverse repurchase agreements .....	17,003	12,096	4,197
Securities borrowing transactions .....	7,465	2,243	10,622
Other .....	1,948	1,702	1,716
<b>Total Loans and receivables – customers gross.....</b>	<b>285,764</b>	<b>278,230<sup>(1)</sup></b>	<b>284,850</b>
Impairments .....	(4,201)	(4,286)	(4,121)
<b>Total Loans and receivables – customers net .....</b>	<b>281,563</b>	<b>273,944<sup>(1)</sup></b>	<b>280,729</b>

<sup>(1)</sup> Unaudited and adjusted for harmonization as described in "The Issuer—Operating and Financial Review—Presentation of Financial Information—Harmonization of accounting policies" and extracted from Interim Financial Statements 2011. (2010 reported Residential mortgages: EUR 161,305 million; 2010 reported Total Loans and receivables – customers gross: EUR 280,041 million; 2010 reported Total Loans and receivables – customers net: EUR 275,755 million).

### ***Loans and receivables – banks***

In the six months ended 30 June 2011, loans and receivables – banks increased by EUR 8.7 billion mainly due to the increase of securities borrowing transactions and reverse repurchase agreements of Commercial & Merchant Banking offset by lower mandatory reserves with DNB at month-end.

In the year ended 31 December 2010, the decrease in interest-bearing deposits was impacted by a settlement of EUR 16.4 billion with RBS N.V. following the Legal Separation. RBS N.V. paid the full amount of the EUR 1.2 billion mandatory deposit with DNB for ABN AMRO in 2009, given the allocation of the businesses between the Consortium partners. Mandatory reserve deposits with central banks are not available for use in the ABN AMRO's day-to-day operations. The increase of EUR 3.0 billion is mainly due to activities transferred from RBS N.V. to ABN AMRO. The increase in Securities borrowing transactions was driven mainly by the new security financing activities which started in 2011. The increase in the line Other was mainly due to increased volumes of clearing activities.

### ***Loans and receivables – customers***

In the six months ended 30 June 2011, Loans and receivables – customers increased by EUR 7.6 billion mainly due to increased positions of securities borrowing transactions and reverse repurchase agreements of Commercial & Merchant Banking securities financing activities.

The decrease in residential mortgage loans was caused by a small decline of EUR 1.4 billion in the mortgage loans due in part to stricter lending criteria. As of 30 June 2011, the amount outstanding prime mortgage loans – predominately Dutch – was EUR 158.1 million.



In the year ended 31 December 2010, Loans and receivables – customers decreased by EUR 6.8 billion (on a harmonized basis). Adjusted for the divestment under the EC Remedy, Loans and receivables – customers grew from EUR 270.2 billion to EUR 274.0 billion (increase of EUR 3.8 billion), mainly as a result of growth in the commercial loan portfolio and reverse repurchase agreements of Commercial & Merchant Banking. This increase was partly offset by reduced volumes in Securities borrowing transactions compared with 2009. The majority of Loans and receivables – customers are prime residential mortgage loans, most of which are Dutch, amounting to EUR 159.5 billion at the end of December 2010 (on a harmonized basis), largely in line with year-end of 2009.

### Outstanding loans by industry sector

Please see "The Issuer—Risk Management—Credit Risk Concentration".

### Outstanding sovereign and sovereign-guaranteed exposures

Please see "The Issuer—Risk Management—Country Risk".

## 8.4 Credit quality of retail loans and other financial assets

Please see "The Issuer—Risk Management—Credit Risk—Credit Quality".

## 8.5 Past due credit exposure

Please see "The Issuer—Risk Management—Credit Risk—Credit Quality".

## 8.6 Loan Impairment Charges and Allowances

### Allowances

The table below sets out allowances for the six months ended 30 June 2011:

	<u>Banks</u>	<u>Commercial loans</u>	<u>Consumer loans</u>	<u>Total</u>
	<i>(in millions of euros)</i>			
<b>Balance as at 1 January 2011</b> .....	<b>49</b>	<b>3,673</b>	<b>613</b>	<b>4,335</b>
New impairment allowances .....	2	342	173	517
Reversal of impairment allowances no longer required .....	(9)	(155)	(17)	(181)
Recoveries of amounts previously written off .....	-	(3)	(24)	(27)
<b>Total loan impairments</b> .....	<b>(7)</b>	<b>184</b>	<b>132</b>	<b>309</b>
Amount recorded in interest income from unwinding of discounting .....	-	(3)	(3)	(6)
Currency translation differences .....	(5)	(105)	(3)	(113)
Amounts written off (net) .....	(2)	(198)	(130)	(330)
Reserve for unearned interest accrued on impaired loans .....	-	41	-	41
Other adjustments .....	1	(6)	6	1
<b>Balance as at 30 June 2011</b> .....	<b>36</b>	<b>3,586</b>	<b>615</b>	<b>4,237</b>

The table below sets out allowances for the year ended 31 December 2010:

	<u>Banks</u>	<u>Commercial loans</u>	<u>Consumer loans</u>	<u>Total</u>
		<i>(in millions of euros)</i>		
<b>Balance as at 1 January 2010</b> .....	<b>60</b>	<b>3,479</b>	<b>642</b>	<b>4,181</b>
New impairment allowances .....	7	968	386	1,361
Reversal of impairment allowances no longer required .....	(16)	(379)	(85)	(480)
Recoveries of amounts previously written off .....	-	(3)	(41)	(44)
<b>Total loan impairments</b> .....	<b>(9)</b>	<b>586</b>	<b>260</b>	<b>837</b>
Amount recorded in interest income from unwinding of discounting .....	-	(23)	(9)	(32)
Currency translation differences .....	5	28	2	35
Amounts written off (net) .....	(8)	(247)	(237)	(492)
Effect of (de)consolidating entities .....	-	(295)	(41)	(336)
Reserve for unearned interest accrued on impaired loans .....	-	26	2	28
Other adjustments .....	1	119	(6)	114
<b>Balance as at 31 December 2010</b> .....	<b>49</b>	<b>3,673</b>	<b>613</b>	<b>4,335</b>

The table below sets out allowances for the year ended 31 December 2009:

	<u>Banks</u>	<u>Commercial loans</u>	<u>Consumer loans</u>	<u>Total</u>
		<i>(in millions of euros)</i>		
<b>Balance as at 1 January 2009</b> .....	<b>30</b>	<b>2,575</b>	<b>508</b>	<b>3,113</b>
New impairment allowances .....	44	1,467	257	1,768
Reversal of impairment allowances no longer required .....	(12)	(123)	(41)	(176)
Recoveries of amounts previously written off .....	-	(6)	(1)	(7)
<b>Total loan impairments</b> .....	<b>32</b>	<b>1,338</b>	<b>215</b>	<b>1,585</b>
Amount recorded in interest income from unwinding of discounting .....	-	(49)	(2)	(51)
Currency translation differences .....	(2)	3	-	1
Amounts written off (net) .....	-	(449)	(81)	(530)
Effect of (de)consolidating entities .....	-	(1)	-	(1)
Disposals of businesses .....	-	6	1	7
Reserve of unearned interest accrued on impaired loans .....	-	43	-	43
Other adjustments .....	-	13	1	14
<b>Balance as at 31 December 2009</b> .....	<b>60</b>	<b>3,479</b>	<b>642</b>	<b>4,181</b>

## Impairment

The table below sets out impairments for the year ended 31 December 2010:

	<u>Banks</u>	<u>Commercial</u>	<u>Consumer</u>			<u>Total</u>
			<u>Mortgages</u>	<u>Personal loans</u>	<u>Other Consumer</u>	
			<i>(in millions of euros)</i>			
Individual impairment .....	49	3,237	109	1	143	3,539
Collective impairment .....	-	436	153	-	207	796
<b>Balance as at 31 December</b> .....	<b>49</b>	<b>3,673</b>	<b>262</b>	<b>1</b>	<b>350</b>	<b>4,335</b>

	<b>Banks</b>	<b>Commercial</b>	<b>Consumer</b>			<b>Total</b>
			<b>Mortgages</b>	<b>Personal loans</b>	<b>Other</b>	
					<b>Consumer</b>	
<i>(in millions of euros)</i>						
Carrying amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance .....	139	6,683	1,244	1	741	8,808

The table below sets out impairments for the year ended 31 December 2009:

	<b>Banks</b>	<b>Commercial</b>	<b>Consumer</b>			<b>Total</b>
			<b>Mortgages</b>	<b>Personal loans</b>	<b>Other</b>	
					<b>Consumer</b>	
<i>(in millions of euros)</i>						
Individual impairment .....	60	2,975	72	1	155	3,263
Collective impairment .....		504	153		261	918
<b>Balance as at 31 December</b> .....	<b>60</b>	<b>3,479</b>	<b>225</b>	<b>1</b>	<b>416</b>	<b>4,181</b>
EUR						
Carrying amounts of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance .....	168	6,382	1,242	1	606	8,399

## 8.7 Due to Banks and Customers

### Due to banks

The table below shows amounts due to banking institutions, including central banks and multilateral development banks as at 30 June 2011 and 31 December 2010 and 2009:

	<b>At 30 June</b>	<b>At 31 December</b>	
	<b>2011</b>	<b>2010</b>	<b>2009</b>
<i>(in millions of euros)</i>			
<b>Deposits from banks:</b>			
Demand deposits .....	4,838	2,711	1,841
Time deposits .....	7,441	6,743	5,683
Other deposits .....	2,178	3,199 <sup>(1)</sup>	15,519
<b>Total deposits</b> .....	<b>14,457</b>	<b>12,653<sup>(1)</sup></b>	<b>23,043</b>
Repurchase agreements .....	4,196	3,473	4,384
Securities lending transactions .....	7,161	3,439	8,487
Advances against collateral .....	700	700	-
Other .....	1,199	1,271 <sup>(1)</sup>	1,473
<b>Total due to banks</b> .....	<b>27,713</b>	<b>21,536</b>	<b>37,387</b>

<sup>(1)</sup> Unaudited and adjusted for harmonization as described in "The Issuer—Operating and Financial Review—Presentation of Financial Information—Harmonization of accounting policies" and extracted from Interim Financial Statements 2011. (2010 reported Other deposits: EUR 2,299 million; 2010 reported Total deposits: EUR 11,753 million; 2010 reported Other: EUR 2,171 million)

In the first half of 2011, due to banks increased by EUR 6.2 billion due to securities financing. The total deposits increased by EUR 1.8 billion. The securities lending increased by EUR 3.7 billion.

In 2010, due to banks decreased by EUR 15.9 billion as ECB funding was redeemed in full (mainly under Other deposits) and securities lending transactions were significantly reduced.

### Due to customers

The table below shows amounts due to customers as at 31 June 2011 and 31 December 2010 and 2009:

	At 30 June	At 31 December	
	2011	2010	2009
		<i>(in millions of euros)</i>	
Demand deposits .....	77,801	80,669 <sup>(1)</sup>	85,913
Saving deposits .....	72,500	69,763	67,966
Time deposits .....	25,807	26,473 <sup>(1)</sup>	49,151
Other deposits .....	13,912	13,593 <sup>(1)</sup>	188
<b>Total deposits .....</b>	<b>190,020</b>	<b>190,498<sup>(1)</sup></b>	<b>203,218</b>
Repurchase agreements .....	23,525	16,471	6,621
Securities lending transactions .....	2,695	1,968	566
Other borrowings .....	1,070	529	343
<b>Total due to customers .....</b>	<b>217,310</b>	<b>209,466<sup>(1)</sup></b>	<b>210,748</b>

<sup>(1)</sup> Unaudited and adjusted for harmonization as described in "The Issuer—Operating and Financial Review—Presentation of Financial Information—Harmonization of accounting policies" and extracted from Interim Financial Statements 2011. (2010 reported Demand deposits: EUR 82,480 million; 2010 reported Time deposits: EUR 39,522 million; 2010 reported Other deposits: EUR 544 million; 2010 reported Total deposits: EUR 192,309 million; 2010 reported Total due to customers: EUR 211,277 million)

In the first half of 2011, due to customers increased by EUR 7.8 billion. Higher saving deposits are mainly in Retail & Private Banking. The total deposits decreased by EUR 0.5 billion and was impacted by the divestment of Prime Fund Solutions (EUR 2.0 billion). The repurchase agreements with clients for the securities financing activities increased by EUR 7.8 billion.

In 2010, due to customers decreased by EUR 1.3 billion (adjusted for harmonization). Adjusted for the EC Remedy divestment, Due to customers went up from EUR 201.3 billion to EUR 211.3 billion (increase of EUR 10.0 billion) mainly due to an increase in Repurchase agreements.

The decrease in demand deposits (prior to harmonization) was mainly due to the sale under the EC Remedy. This impact was partially offset by a shift from Time deposits to Savings deposits year-on-year, a general trend in the market. In addition, EUR 3.0 billion decreased due to redemption of a long term deposit of the Dutch State.

## 8.8 Maturity Analysis of Assets and Liabilities

The following table shows an analysis of assets and liabilities analysed according to when they are to be recovered or settled as at 31 December 2010 and 2009. It should be noted that this presentation is not consistent with how ABN AMRO views liquidity, as the models used also take expected client behavior and other factors into account:

	<b>At 31 December 2010</b>			<b>Total</b>
	<b>Less than twelve months</b>	<b>More than twelve months</b>	<b>No maturity</b>	
	<i>(in millions of euros)</i>			
<b>Assets</b>				
Cash and balances at central banks .....	906	-	-	906
Financial assets held for trading.....	24,300	-	-	24,300
Financial investments.....	3,607	16,469	121	20,197
Loans and receivables – banks .....	40,695	311	111	41,117
Loans and receivables – customers.....	46,098	223,963	3,883	273,944
Other assets.....	4,226	4,387	8,205	16,818
<b>Total assets</b> .....	<b>119,832</b>	<b>245,130</b>	<b>12,320</b>	<b>377,282</b>
<b>Liabilities</b>				
Financial liabilities held for trading.....	19,982	-	-	19,982
Due to banks .....	21,125	411	-	21,536
Due to customers .....	204,084	5,382	-	209,466
Issued debt .....	23,939	62,652	-	86,591
Subordinated liabilities .....	-	6,085	2,000	8,085
Other liabilities .....	8,712	7,128	3,670	19,510
<b>Total liabilities</b> .....	<b>277,842</b>	<b>81,658</b>	<b>5,670</b>	<b>365,170</b>
Total equity.....	-	-	12,112	12,112
<b>Total liabilities and equity</b> .....	<b>277,842</b>	<b>81,658</b>	<b>17,782</b>	<b>377,282</b>

**At 31 December  
2009**

	<b>Less than twelve months</b>	<b>More than twelve months</b>	<b>No maturity</b>	<b>Total</b>
	<i>(in millions of euros)</i>			
<b>Assets</b>				
Cash and balances at central banks .....	4,368	-	-	4,368
Financial assets held for trading .....	20,342	-	-	20,342
Financial investments .....	2,975	17,214	574	20,763
Loans and receivables – banks .....	26,094	1,200	17,768	45,062
Loans and receivables – customers .....	68,836	206,517	5,376	280,729
Other assets .....	3,596	1,022	10,642	15,260
<b>Total assets</b> .....	<b>124,786</b>	<b>225,953</b>	<b>35,784</b>	<b>386,524</b>
<b>Liabilities</b>				
Financial liabilities held for trading .....	26,951	-	-	26,951
Due to banks .....	34,844	1,341	1,202	37,387
Due to customers .....	201,841	8,907	-	210,748
Issued debt .....	21,059	49,754	24	70,837
Subordinated liabilities .....	2,366	9,292	88	11,747
Other liabilities .....	8,171	4,021	7,706	19,899
<b>Total liabilities</b> .....	<b>295,232</b>	<b>73,316</b>	<b>9,021</b>	<b>377,569</b>
Total equity .....	-	-	8,955	8,955
<b>Total liabilities and equity</b> .....	<b>295,232</b>	<b>73,316</b>	<b>17,976</b>	<b>386,524</b>

For more information on liquidity, see "The Issuer—Liquidity and Funding".

The tables below provide an overview that categorizes the ABN AMRO balance sheet into relevant maturity groupings based on the remaining contractual periods to repayment. This is not consistent with how ABN AMRO views liquidity as the models used also take expected client behavior and other factors into account. Trading balances are recorded at fair value. ABN AMRO believes that this best represents the cash flow that would have to be paid if these positions had to be closed out. Trading balances are shown below under "On demand" which management believes most accurately reflects the short-term nature of trading activities. The contractual maturity of the instruments may however extend over significantly longer periods.

Maturity based on contractual undiscounted cash flows for the year ending 31 December 2010:

	<b>At 31 December 2010</b>								
	<b>On demand</b>	<b>Trading derivatives</b>	<b>Up to one month</b>	<b>Between one and three months</b>	<b>Between three and twelve months</b>	<b>Between one and five years</b>	<b>More than five years</b>	<b>No maturity</b>	<b>Total</b>
	<i>(in millions of euros)</i>								
<b>Assets</b>									
Cash and balances at central banks .....	906	-	-	-	-	-	-	-	906
Financial assets held for trading .....	16,089	8,211	-	-	-	-	-	-	24,300
Financial investments .....	325	-	424	2,192	1,535	10,633	13,367	121	28,597
Loans and receivables – banks .....	8,334	-	28,925	2,241	1,216	199	126	111	41,152
Loans and receivables – customers .....	11,173	-	19,965	9,469	13,520	55,475	273,067	3,883	386,553
Other assets <sup>(1)</sup> .....	84	-	522	823	3,876	5,904	3,196	8,711	23,118
<b>Total undiscounted assets</b> .....	<b>36,911</b>	<b>8,211</b>	<b>49,836</b>	<b>14,725</b>	<b>20,147</b>	<b>72,212</b>	<b>289,756</b>	<b>12,826</b>	<b>504,625</b>
Of which:									
Gross settled derivatives not held for trading: .....	-	-	-	-	-	-	-	-	-

At 31 December 2010									
	On demand	Trading derivatives	Up to one month	Between one and three months	Between three and twelve months	Between one and five years	More than five years	No maturity	Total
<i>(in millions of euros)</i>									
Contractual amounts receivable.....	-	-	-	-	45	458	156	-	659
Contractual amounts payable.....	-	-	-	-	-	2	1	-	3
<b>Total undiscounted gross settled derivatives not held for trading.....</b>	-	-	-	-	<b>45</b>	<b>456</b>	<b>155</b>	-	<b>656</b>
<b>Net settled derivatives not held for trading.....</b>	-	-	<b>178</b>	<b>132</b>	<b>723</b>	<b>3,990</b>	<b>1,527</b>	-	<b>6,550</b>
<b>Liabilities</b>									
Financial liabilities held for trading.....	11,374	8,608	-	-	-	-	-	-	19,982
Due to banks.....	5,236	-	10,219	3,822	1,902	182	292	-	21,653
Due to customers.....	90,666	-	102,498	7,129	4,014	3,312	4,796	-	212,415
Issued debt.....	18	-	7,367	8,193	10,243	55,536	16,280	-	97,637
Subordinated liabilities.....	-	-	10	36	145	3,224	7,480	-	10,896
Other liabilities <sup>(2)</sup> .....	2,090	-	717	1,292	6,618	9,486	6,434	4,176	30,813
<b>Total undiscounted liabilities.....</b>	<b>109,384</b>	<b>8,608</b>	<b>120,811</b>	<b>20,472</b>	<b>22,922</b>	<b>71,741</b>	<b>35,823</b>	<b>4,176</b>	<b>393,396</b>
Of which:									
Gross settled derivatives not held for trading:.....	-	-	-	-	-	-	-	-	-
Contractual amounts receivable.....	-	-	-	-	1	10	8	-	19
Contractual amounts payable.....	-	-	-	4	15	66	33	-	118
<b>Total undiscounted gross settled derivatives not held for trading.....</b>	-	-	-	<b>4</b>	<b>14</b>	<b>56</b>	<b>25</b>	-	<b>99</b>
<b>Net settled derivatives not held for trading.....</b>	-	-	<b>155</b>	<b>253</b>	<b>1,523</b>	<b>8,018</b>	<b>5,142</b>	-	<b>15,091</b>
<b>Net maturity gap.....</b>	<b>(72,473)</b>	<b>(397)</b>	<b>(70,975)</b>	<b>(5,747)</b>	<b>(2,774)</b>	<b>471</b>	<b>254,473</b>	<b>8,650</b>	<b>111,229</b>
Off balance liabilities.....									
Committed credit facilities.....	14,553	-	-	-	-	-	-	-	14,553
Guarantees.....	15,852	-	-	-	-	-	-	-	15,852
Irrevocable facilities.....	2,262	-	-	-	-	-	-	-	2,262
Recourse risks arising from discounted bills.....	5,079	-	-	-	-	-	-	-	5,079
<b>Total off-balance liabilities.....</b>	<b>37,746</b>	-	-	-	-	-	-	-	<b>37,746</b>

Maturity based on contractual undiscounted cash flows for the year ending 31 December 2009:

At 31 December 2009									
	On demand	Trading derivatives	Up to one month	Between one and three months	Between three and twelve months	Between one and five years	More than five years	No maturity	Total
<i>(in millions of euros)</i>									
<b>Assets</b>									
Cash and balances at central banks.....	4,368	-	-	-	-	-	-	-	4,368
Financial assets held for trading.....	13,220	7,122	-	-	-	-	-	-	20,342
Financial investments.....	55	-	31	126	3,423	10,288	12,190	574	26,687
Loans and receivables – banks.....	3,127	-	20,413	1,515	1,108	1,253	36	17,768	45,221
Loans and receivables – customers.....	28,231	-	25,362	9,370	14,308	58,588	253,557	5,376	394,792
Other assets <sup>(1)</sup> .....	-	-	359	727	3,044	2,380	694	10,642	17,845
<b>Total undiscounted assets.....</b>	<b>49,001</b>	<b>7,122</b>	<b>46,166</b>	<b>11,738</b>	<b>21,883</b>	<b>72,509</b>	<b>266,477</b>	<b>35,784</b>	<b>509,255</b>
Of which:									

At 31 December 2009

	On demand	Trading derivatives	Up to one month	Between one and three months	Between three and twelve months	Between one and five years	More than five years	No maturity	Total
<i>(in millions of euros)</i>									
Gross settled derivatives not held for trading: .....	-	-	-	-	-	-	-	-	-
Contractual amounts receivable .....	-	-	-	-	19	92	95	-	206
Contractual amounts payable .....	-	-	-	2	5	30	26	-	63
<b>Total undiscounted gross settled derivatives not held for trading .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>14</b>	<b>62</b>	<b>69</b>	<b>-</b>	<b>143</b>
<b>Net settled derivatives not held for trading .....</b>	<b>-</b>	<b>-</b>	<b>59</b>	<b>129</b>	<b>333</b>	<b>2,001</b>	<b>624</b>	<b>-</b>	<b>3,146</b>
<b>Liabilities</b>									
Financial liabilities held for trading .....	20,459	6,492	-	-	-	-	-	-	26,951
Due to banks .....	3,742	-	6,609	10,614	14,511	1,438	97	1,202	38,212
Due to customers .....	99,312	-	85,883	7,568	9,473	4,506	5,683	-	212,424
Issued debt .....	-	-	3,176	5,708	14,126	47,765	10,422	24	81,222
Subordinated liabilities .....	-	-	21	106	626	3,346	12,625	88	16,811
Other liabilities <sup>(2)</sup> .....	2,659	-	669	1,245	5,678	8,120	8,888	7,706	34,967
<b>Total undiscounted liabilities .....</b>	<b>126,172</b>	<b>6,492</b>	<b>96,357</b>	<b>25,240</b>	<b>44,414</b>	<b>65,175</b>	<b>37,714</b>	<b>9,021</b>	<b>410,585</b>
Of which:									
Gross settled derivatives not held for trading: .....	-	-	-	-	-	-	-	-	-
Contractual amounts receivable .....	-	-	-	1	3	13	3	-	20
Contractual amounts payable .....	-	-	-	1	4	18	4	-	27
<b>Total undiscounted gross settled derivatives not held for trading .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>5</b>	<b>1</b>	<b>-</b>	<b>7</b>
<b>Net settled derivatives not held for trading .....</b>	<b>-</b>	<b>-</b>	<b>177</b>	<b>332</b>	<b>1,554</b>	<b>8,102</b>	<b>8,887</b>	<b>-</b>	<b>19,052</b>
<b>Net maturity gap .....</b>	<b>(77,171)</b>	<b>630</b>	<b>(50,191)</b>	<b>(13,502)</b>	<b>(22,531)</b>	<b>7,333</b>	<b>228,763</b>	<b>25,339</b>	<b>98,670</b>
Off balance liabilities .....	-	-	-	-	-	-	-	-	-
Committed credit facilities .....	16,175	-	-	-	-	-	-	-	16,175
Guarantees .....	4,190	-	-	-	-	-	-	-	4,190
Irrevocable facilities .....	2,657	-	-	-	-	-	-	-	2,657
Recourse risks arising from discounted bills .....	3,388	-	-	-	-	-	-	-	3,388
<b>Total off-balance liabilities .....</b>	<b>26,410</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,410</b>



## BOOK ENTRY, DELIVERY, FORM AND SETTLEMENT

### Form of the Notes and registration

#### *General*

The Notes may be offered (i) within the United States to QIBs in reliance on the exemption provided by Section 4(2) of the Securities Act or Rule 144A only, (ii) outside the United States to non-US Persons in offshore transactions in reliance on Regulation S only or (iii) simultaneously within the United States to QIBs in reliance on the exemption provided by Section 4(2) of the Securities Act or Rule 144A and outside the United States to non-US Persons in offshore transactions in reliance on Regulation S as part of a global offering. Upon issue, Notes will be represented initially by one or more global certificates in fully registered form (each, a “**Global Certificate**”) without receipts, interest coupons or talons.

If the Notes are stated in the relevant Final Terms to be held under the NSS, they are intended to be eligible collateral for Eurosystem monetary policy and the Euro Regulations Global Certificates representing such Notes will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Euro Regulations Global Certificates with the Common Safekeeper does not necessarily mean that the Notes will be recognized as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Notes sold pursuant to an offering made in the United States only will be represented by one or more Global Certificates deposited with the US Registrar (in such capacity, the “**Custodian**”) as custodian for, and registered in the name of a nominee of, DTC as depository (each Global Certificate so deposited and registered is referred to herein as a “**Rule 144A Global Certificate**”).

Notes sold pursuant to an offering made outside the United States only will be represented by one or more Global Certificates registered by the European Registrar (which initially is The Bank of New York Mellon (Luxembourg) S.A.) in a register (the “**European Register**”) in the name of, or the name of a nominee of, and deposited with (i) in the case of Notes held under the NSS, the Common Safekeeper, and (ii) in the case of Notes not held under NSS, the European Registrar (in such capacity, the “**Depository**”) as common depository for, Euroclear and/or Clearstream, Luxembourg (each Global Certificate so deposited and registered is referred to herein as a “**Euro Regulation S Global Certificate**”). The European Registrar will cause the European Register to be kept initially at its offices in Luxembourg, in which, subject to such reasonable regulations it may prescribe, the European Registrar will provide for the registration of Euro Regulation S Global Certificates, any Definitive Notes related thereto and any transfers thereof. The Issuer reserves the right to transfer such registration function to another bank or financial institution at any time.

Notes sold pursuant to an offering made in and outside the United States simultaneously as part of a global offering may be represented either (i) solely by one or more Rule 144A Global Certificates registered in respect of Notes sold in the United States and one or more Global Certificates deposited with the US Registrar as custodian for, and registered in the name of a nominee of, DTC, registered in respect of Notes sold outside the United States (each Global Certificate so deposited and registered is referred to herein as a “**DTC Regulation S Global**”).

**Certificate**”; and each DTC Regulation S Global Certificate together with any Euro Regulation S Global Certificate, each a “**Regulation S Global Certificate**”; and each DTC Regulation S Global Certificate together with any Rule 144A Global Certificate, each a “**DTC Global Certificate**”), such arrangement referred to herein as a “**Single Global Note Issue**” or, alternatively (ii) by one or more Rule 144A Global Certificates so deposited and registered in respect of Notes sold in the United States, and a separate Euro Regulation S Global Certificate registered in the name of, or the name of a nominee of, and deposited with (i) in the case of Notes held under the NSS, the Common Safekeeper, and (ii) in the case of Notes not held under NSS, a common depository for, Euroclear or Clearstream, Luxembourg, as the case may be, in respect of Notes sold outside the United States, such arrangement referred to herein as a “**Dual Global Note Issue**”.

Notes sold to QIBs in reliance on Rule 144A (including beneficial interests in the Rule 144A Global Certificates) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under “**Notice to Purchasers**”.

Except as described below, owners of beneficial interests in a Global Certificate (each, a “**Beneficial Owner**”) will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in individual certificated registered form (each, a “**Definitive Note**”) and will not be considered the owners or holders thereof under the Amended and Restated Agency Agreement. Beneficial interests in a Global Certificate will be represented, and transfers thereof will be effected, only through book-entry accounts of financial institutions acting on behalf of the Beneficial Owners, as a direct or indirect participant in the relevant clearing system.

Investors in a global offering may elect to hold beneficial interests in a Global Certificate (a) through DTC (in the United States) if such investors are US persons who are also QIBs, or (b) through Euroclear or Clearstream, Luxembourg (in Europe) if such investors are not US Persons (as defined in Regulation S), if they are participants in such systems, or indirectly through organizations that are participants in such systems. If the Notes sold pursuant to a global offering are part of a Single Global Note Issue, Clearstream, Luxembourg and Euroclear will hold omnibus positions on behalf of their participants through customers’ securities accounts in Clearstream, Luxembourg’s and/or Euroclear’s names on the books of their respective US depositories, which, in turn, hold such positions in customers’ securities accounts in the US depositories’ names on the books of DTC. Citibank, N.A. acts as the US depository for Clearstream, Luxembourg and The Bank of New York Mellon, New York acts as the US depository for Euroclear (each, a “**US Depository**” and, collectively, the “**US Depositories**”).

The Bank of New York Mellon, New York will serve initially as the US Registrar for the Notes. In such capacity, the US Registrar will cause to be kept at its offices in The City of New York, a register (the “**US Register**”; the US Register and the European Register are collectively referred to as the “**Registers**” and each a “**Register**”) in which, subject to such reasonable regulations as it may prescribe, the US Registrar will provide for the registration of Notes and of transfers thereof. The Issuer reserves the right to transfer such registration function to another bank or financial institution at any time. Subject to applicable law and the terms of the Amended and Restated Agency Agreement and the Notes, the Issuer and the Paying Agents, the Registrars and the Transfer Agent (collectively, the “**Fiscal Agents**,” and each individually, a “**Fiscal Agent**”) will deem and treat the registered holder or holders of Securities in the relevant Register as the absolute owner or owners thereof for all purposes whatsoever notwithstanding any notice to the contrary; and all payments to, or to the order of, the registered holders will be valid and effectual

to discharge the liability of the Issuer and the Fiscal Agents on the Notes to the extent of the sum or sums so paid. So long as DTC, its nominee, Euroclear and/or Clearstream, Luxembourg, a nominee of Euroclear and/or Clearstream, Luxembourg or a successor to Euroclear and/or Clearstream, Luxembourg, DTC or any such nominee is the registered owner of a Global Certificate, DTC, Euroclear and/or Clearstream, Luxembourg, or any such nominee or successor, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Certificate for all purposes under the Amended and Restated Agency Agreement. Accordingly, any Beneficial Owner must rely on the procedures of DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, and, if such person is not a participant in any such clearing system, on the procedures of the participant therein through which such person owns its beneficial interest, to exercise any rights of a holder of Notes. The Issuer understands that, under existing industry practices, in the event that the Issuer requests any action of holders or that Beneficial Owners desire to give or take any action which a holder is entitled to give or take under the Amended and Restated Agency Agreement, DTC, its nominee or a successor to DTC or its nominee, as the holder of the DTC Global Certificate, would authorize the participants through which the relevant beneficial interests are held (or persons holding beneficial interests in the Notes through participants) to give or take such action, and such participants would authorize Beneficial Owners owning through such participants (or such persons holding beneficial interests in the Notes through participants) to give or take such action and would otherwise act upon the instructions given to such participants (or such persons) by such Beneficial Owners.

DTC may grant proxies or otherwise authorize its participants (or persons holding beneficial interests in the Notes through its participants) to exercise any rights of a holder or take any other actions which a holder is entitled to take under the Amended and Restated Agency Agreement or in respect of the Notes. Euroclear or Clearstream, Luxembourg, as the case may be, will take any action permitted to be taken by a holder under the Amended and Restated Agency Agreement or the Notes on behalf of a Euroclear participant or a Clearstream, Luxembourg participant only in accordance with its relevant rules and procedures and, with respect to beneficial interests in a DTC Global Certificate, subject to the common depository's ability to effect such actions on its behalf through DTC. Because DTC can act only on behalf of its participants, who in turn act on behalf of indirect participants, the ability of a Beneficial Owner to pledge its beneficial interest in the Notes to persons or entities that do not participate in the DTC system or otherwise take action in respect of such beneficial interest, may be limited by the lack of a definitive certificate for such beneficial interest. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to transfer beneficial interests in a DTC Global Certificate.

Principal of, and premium, if any, and interest on, the Notes are payable to the persons in whose names the Notes are registered on the Record Date (as defined in the Terms and Conditions) preceding any Interest Payment Date or at Maturity, as the case may be. Ownership positions within each clearing system will be determined in accordance with the normal conventions observed by such system. The US Paying Agent and the European Paying Agent will act as the Issuer's paying agents for the Notes pursuant to the Amended and Restated Agency Agreement. Principal and interest payments on a Global Certificate will be made to DTC, its nominee or a nominee of Euroclear and/or Clearstream, Luxembourg, as the case may be (or to any successor to DTC or any such nominee), as the registered holder of the Global Certificate representing such Notes. Neither the Issuer nor any agent of the Issuer will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership

interests in a Global Certificate or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Upon receipt of any payment of principal of, or premium, if any, or interest on, a DTC Global Certificate, the Issuer expects that DTC will credit its participants' accounts with payment in amounts proportionate to their respective beneficial interests in the principal amount of such DTC Global Certificate as shown on the records of DTC. Payments by such participants to owners of beneficial interests in the DTC Global Certificate held through such participants will be the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in a "street name." Distributions with respect to Notes held through Euroclear and/or Clearstream, Luxembourg will be credited to the cash accounts of Euroclear participants (as defined below) and/or Clearstream, Luxembourg participants (as defined below) in accordance with the relevant system's rules and procedures, to the extent received by the Depository.

#### **Exchange of Global Certificates for Definitive Notes**

Unless otherwise provided in the applicable Pricing Term Sheet and/or Final Terms, beneficial interests in a Global Certificate will be exchangeable for Definitive Notes, only if such exchange is permitted by applicable law and (i) in the case of a DTC Global Certificate, DTC notifies the Issuer that it is unwilling or unable to continue as depository for the DTC Global Certificate or DTC ceases to be a clearing agency registered under the Exchange Act, if so required by applicable law or regulation, and, in either case, a successor depository is not appointed by the Issuer within 90 days after receiving such notice or becoming aware that DTC is no longer so registered, (ii) in the case of any other Global Certificate, if the clearing system(s) through which it is cleared and settled is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to cease business permanently or does in fact do so and a successor or successors is or are not appointed by the Issuer within 90 days from the commencement of such closure, announcement or cessation of business, (iii) the Issuer, in its discretion, elects to issue Definitive Notes for a specific issue of Securities; or (iv) upon an Event of Default as described in Condition 9. The Definitive Notes so issued in exchange for any such Global Certificate shall be of like tenor and of an equal aggregate principal amount, in authorized denominations and will bear the restrictive legend referred to in "Notice to Purchasers". Such Definitive Notes shall be registered in the relevant Register in the name or names of such person or persons as the relevant clearing system shall instruct the applicable Registrar. It is expected that such instructions may be based upon directions received by DTC from DTC participants with respect to ownership of beneficial interests in the DTC Global Certificate. Except as provided above, owners of beneficial interests in a Global Certificate will not be entitled to receive physical delivery of Definitive Notes and will not be considered the registered holders of such Notes for any purpose. Upon exchange into Definitive Notes, holders will become Registered Holders.

#### **Exchange of Definitive Notes for Definitive Notes**

Any Definitive Note issued under the circumstances described in the preceding paragraph will be transferable in whole or in part in an authorized denomination upon the surrender of such Note, together with the form of transfer endorsed thereon duly completed and executed, at the specified office of the applicable Registrar or the specified office of the Transfer Agent or any other transfer agent maintained for that purpose. In the case of a transfer in part only of a Definitive Note, a new Definitive Note in respect of the balance not transferred will be issued to the

transferor. Each new Definitive Note to be issued upon transfer will, within three Business Days of receipt of such form of transfer, be delivered to the transferee at the office of the applicable Registrar, the Transfer Agent or such paying agent or mailed, at the risk of the holder entitled to the Definitive Note in respect of which the relevant Definitive Note is issued, to such address as may be specified in such form of transfer.

### **Exchange of Definitive Notes for Global Certificates**

Definitive Notes may not be transferred for beneficial interests in any Global Certificate unless the transferor first delivers to the Transfer Agent a written certificate to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See “*Notice to Purchasers*”.

### **Exchange between Regulation S Global Certificates and Rule 144A Global Certificates**

Interests in a Regulation S Global Certificate may be transferred to a person who wishes to hold an interest in a Rule 144A Global Certificate only upon receipt by the Registrars, the Transfer Agent and the Paying Agents of a written certification from the transferor (in the form set out in the Amended and Restated Agency Agreement) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A purchasing for its own account or for the account of a qualified institutional buyer, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States.

Interests in a Rule 144A Global Certificate may also be transferred to a person who wishes to hold an interest through a Regulation S Global Certificate, but only upon receipt by the Registrars, the Transfer Agent and the Paying Agents of a written certification from the transferor to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or with Rule 144A (if available) under the Securities Act.

Any interest in either a Rule 144A Global Certificate or a Regulation S Global Certificate that is transferred to a person who takes delivery in the form of an interest in the other Global Certificate will, upon transfer, cease to be an interest in such Global Certificate and become an interest in the other Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in such other Global Certificate.

### **Global clearance and settlement**

#### ***General***

Notes issued pursuant to the Program may be held through one or more international and domestic clearing systems, principally, the book-entry systems operated by DTC in the United States, and Euroclear and Clearstream, Luxembourg in Europe. Electronic securities and payment transfer, processing, depository and custodial links have been established among these systems and others, either directly or through custodians and depositaries, which enable Notes to be issued, held and transferred among the clearing systems through these links. The relevant Agents (if any) have direct electronic links with DTC, Euroclear and Clearstream, Luxembourg. Special procedures have been established among these clearing systems and the relevant Agents (if any) to facilitate clearance and settlement of certain Notes traded across borders in the secondary market. Cross-market transfers of Notes in respect of which payments will be made in US Dollars

and which will be issued in global form may be cleared and settled using these procedures on a delivery against payment basis. Cross-market transfers of Notes in other than global form may be cleared and settled in accordance with other procedures established among any relevant Agent or Agents, as the case may be, and the clearing systems concerned for this purpose.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the procedures described below in order to facilitate transfers of Notes among participants of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time. Neither the Issuer nor the Agents (if any) will have any responsibility for the performance by DTC, Euroclear and/or Clearstream, Luxembourg or their respective participants or indirect participants of the respective obligations under the rules and procedures governing their operations.

### *The clearing systems*

#### *DTC*

DTC has advised the Issuer that it is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of US and non-US equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both US and non-US securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

#### *Clearstream, Luxembourg*

Clearstream, Luxembourg holds securities for its participating organizations (“**Clearstream, Luxembourg participants**”) and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg participants through electronic book-entry changes in accounts of Clearstream, Luxembourg participants, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to Clearstream, Luxembourg participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also interfaces with domestic securities markets in several countries. Clearstream,

Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier, and the Banque Centrale du Luxembourg which supervise and oversee the activities of Luxembourg banks. Clearstream, Luxembourg participants are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations, and may include the Agents (if any). Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with a Clearstream, Luxembourg participant. Clearstream, Luxembourg has established an electronic bridge with Euroclear as the operator of the Euroclear system (the “**Euroclear Operator**”) in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

Distributions with respect to Notes held beneficially through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg participants in accordance with its rules and procedures, to the extent received by the depository for Clearstream, Luxembourg.

#### *Euroclear*

Euroclear holds securities and book-entry interests in securities for participating organizations (“**Euroclear participants**”) and facilitates the clearance and settlement of securities transactions between Euroclear participants, and between Euroclear participants and participants of certain other securities intermediaries through electronic book-entry changes in accounts of such participants or other securities intermediaries. Euroclear provides Euroclear participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations, and may include the Agents (if any). Non-participants in Euroclear may hold and transfer beneficial interests in a Global Certificate through accounts with a participant in the Euroclear system or any other securities intermediary that holds a book-entry interest in a Global Certificate through one or more securities intermediaries standing between such other securities intermediary and Euroclear. Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the “**Euroclear Terms and Conditions**”). The Euroclear Terms and Conditions governs transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Euroclear Terms and Conditions only on behalf of Euroclear participants, and has no record or relationship with persons holding through Euroclear participants. Distributions with respect to Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Euroclear Terms and Conditions, to the extent received by the depository for Euroclear.

#### *Other clearing systems*

Any other clearing system which the Issuer, the Paying Agents and the relevant Agent(s) (if any) agree shall be available for a particular issuance of Notes, including the clearance and settlement procedures for such clearing system, will be described in the applicable Pricing Term Sheet and/or Final Terms.

## ***Primary distribution***

### *General*

Distributions of the Notes will be cleared through one or more of the clearing systems described above or any other clearing system specified in the applicable Pricing Term Sheet and/or Final Terms. Payment for Notes will be made on a delivery-versus-payment or free delivery basis, in each case as more fully described in the applicable Pricing Term Sheet and/or Final Terms.

The Issuer and the relevant Agent(s) (if any) shall agree that either global clearance and settlement procedures or specific clearance and settlement procedures should be available for any Series of Notes, in each case as specified in the Pricing Term Sheet and/ Final Terms relating thereto. Clearance and settlement procedures may vary from one Series of Notes to another according to the Specified Currency of the Notes of such Series. Customary clearance and settlement procedures are described under the specific clearance and settlement procedures below. Application will be made to the relevant clearing system(s) for the Notes of the relevant Series to be accepted for clearance and settlement and the applicable clearance numbers will be specified in the applicable Pricing Term Sheet and/ Final Terms.

### *Clearance and Settlement Procedures*

*DTC.* DTC participants holding Notes through DTC on behalf of investors will follow the settlement practices applicable to US corporate debt obligations in DTC's Same-Day Funds Settlement System. Notes will be credited to the securities custody accounts of such DTC participants against payment in same-day funds on the settlement date.

*Euroclear and Clearstream, Luxembourg.* Investors electing to hold their Notes through Euroclear and/or Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Notes will be credited to the securities custody accounts of Euroclear and/or Clearstream, Luxembourg participants, as the case may be, on the business day following the settlement date against payment for value on the settlement date.

## ***Secondary market trading***

### *Trading between DTC Participants*

Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC's rules and will be settled using procedures applicable to US corporate debt obligations in DTC's Same-Day Funds Settlement System in same-day funds, if payment is made in US Dollars, or free of payment if payment is made in a currency other than US Dollars. In the latter case, separate payment arrangements outside of the DTC system are required to be made between DTC participants.

### *Trading between Euroclear and/or Clearstream, Luxembourg Participants*

Secondary market trading between Euroclear and/or Clearstream, Luxembourg participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using procedures applicable to conventional Eurobonds in registered form.



### ***Trading between a DTC seller and a Euroclear or Clearstream, Luxembourg purchaser***

#### *Single Global Note Issues*

When Notes represented by a DTC Global Certificate are to be transferred from the account of a DTC participant (other than the US Depositories) to the account of a Euroclear participant or a Clearstream, Luxembourg participant, the purchaser must send instructions to Euroclear or Clearstream, Luxembourg through a participant at least one business day prior to settlement. Euroclear or Clearstream, Luxembourg, as the case may be, will instruct its US Depository to receive the Notes against payment or free of payment, as the case may be. Its US Depository will then make payment to the DTC participant's account against delivery of the Notes. After settlement has been completed, the Notes will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the account of the relevant Euroclear or Clearstream, Luxembourg participant. Credit for the Notes will appear on the next day (Central European Time) and cash debit will be back-valued to, and the interest on the Notes will accrue from, the value date (which would be the preceding day, when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Euroclear or Clearstream, Luxembourg cash debit will be valued instead as of the actual settlement date.

Euroclear participants or Clearstream, Luxembourg participants will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream, Luxembourg. Under this approach, participants may take on credit exposure to Euroclear or Clearstream, Luxembourg until the Notes are credited to their accounts one day later.

As an alternative, if Euroclear or Clearstream, Luxembourg has extended a line of credit to them, participants can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear participants or Clearstream, Luxembourg participants purchasing Notes would incur overdraft charges for one day, assuming they cleared the overdraft when the Notes were credited to their accounts. However, interest on the Notes would accrue from the value date. Therefore, in many cases, the investment income on Notes earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's particular cost of funds.

Because the settlement will take place during New York business hours, DTC participants can employ their usual procedures for delivering Notes to the applicable US Depository for the benefit of Euroclear participants and/or Clearstream, Luxembourg participants. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC participants, a cross-market transaction will settle no differently than a trade between two DTC participants.

#### *Dual Global Note issues*

When Notes are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream, Luxembourg participant, the DTC participant will deliver the Notes free of payment to the appropriate account of the Custodian at DTC by 11:00 A.M. (New York time) on the settlement date together with instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg participant. Separate payment arrangements are required to be made

between the relevant Euroclear or Clearstream, Luxembourg participant and the DTC participant. The applicable Registrar, as custodian, will (i) decrease the amount of Notes registered in the name of the nominee of DTC and represented by the DTC Global Certificate and (ii) increase the amount of Notes registered in the name of the nominee of Euroclear and Clearstream, Luxembourg and represented by the Global Certificate. The Depository will deliver such Notes free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant participant in such clearing system on the business day following the settlement date.

### ***Trading between a Euroclear or Clearstream, Luxembourg seller and a DTC purchaser***

#### *Single Global Note issues*

Due to time zone differences in their favor, Euroclear participants or Clearstream, Luxembourg participants may employ their customary procedures for transactions in which Notes represented by a DTC Global Certificate are to be transferred by the respective clearing system through the applicable US Depository to another DTC participant's account. The seller must send instructions to Euroclear or Clearstream, Luxembourg through a participant at least one business day prior to settlement. In these cases, Euroclear or Clearstream, Luxembourg will instruct its respective US Depository to credit the Notes to the DTC participant's account against payment. The payment will then be reflected in the account of the Euroclear participant or Clearstream, Luxembourg participant the following business day, and receipt of the cash proceeds in the Euroclear or Clearstream, Luxembourg participant's account will be back-valued to the value date (which would be the preceding day, when settlement occurs in New York). If the Euroclear participant or Clearstream, Luxembourg participant has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over the one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear or Clearstream, Luxembourg participant's account would instead be valued as of the actual settlement date.

As is the case with sales of Notes represented by a DTC Global Certificate by a DTC participant to a Euroclear or Clearstream, Luxembourg participant, participants in Euroclear or Clearstream, Luxembourg will have their accounts credited the day after their settlement date.

#### *Dual Global Note issues*

When Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg participant to the account of a DTC participant, the relevant Euroclear or Clearstream, Luxembourg participant must provide settlement instructions for delivery of the Notes free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, by 7:45 P.M. (Brussels or Luxembourg time, as the case may be) one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg will in turn provide appropriate settlement instructions to the Depository for delivery to the DTC participant.

Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the Custodian will deliver the Notes free of payment to the appropriate DTC account of the DTC participant and will instruct the applicable Registrar to (i) decrease the amount of Notes registered in the name of the nominee for Euroclear and Clearstream, Luxembourg and represented by the Global

Certificate and (ii) increase the amount of Notes registered in the name of the nominee of DTC and represented by the DTC Global Certificate.

***Same day settlement and payment generally***

The Notes represented by the Global Certificates will be eligible to trade in DTC's Same Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. The Issuer expect that secondary trading in any Definitive Notes will also be settled in immediately available funds.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant purchasing an interest in a Global Certificate from a Participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream, Luxembourg participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream, Luxembourg) immediately following the settlement date of DTC. DTC has advised the Issuer that cash received in Euroclear or Clearstream, Luxembourg as a result of sales of interest in a Global Certificate by or through a Clearstream, Luxembourg participant to a Participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day for Euroclear or Clearstream, Luxembourg following DTC's settlement date.

Notes may be issued in such denominations as may be specified in the applicable Final Terms or Pricing Term Sheet save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. See "*Special Provisions Relating to Foreign Currency Notes*" for additional information regarding Foreign Currency Notes.

## FORM OF FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Program with a minimum denomination at least US\$200,000 (or its equivalent in another currency).*

**ABN AMRO Bank N.V.**  
*(incorporated in The Netherlands with its statutory seat in Amsterdam)*

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the “Notes”)**

**under the Program for the issuance of Medium Term Notes**

The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a Relevant Member State) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorized, nor do they authorize, the making of any offer of Notes in any other circumstances.

## PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Base Prospectus dated 31 October 2011 which constitutes a base prospectus for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at <http://www.abnamro.com/debtinvestors> and during normal business hours at the registered office of the Issuer at Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands and copies may be obtained from the Issuer at that address. Any information contained in or accessible through any website, including <http://www.abnamro.com/debtinvestors>, does not form a part of this Base Prospectus, unless specifically stated in this Base Prospectus, in any supplement hereto or in any document incorporated or deemed to be incorporated by reference in this Base Prospectus that all or any portion of such information is incorporated by reference in this Base Prospectus.

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus or Prospectus with an earlier date. In the event the Base Prospectus or Prospectus with an earlier date was not approved for the purpose of the Prospectus Directive, the Issuer shall publish a supplement to the current Base Prospectus in respect of this increase and such supplement shall be approved by the relevant listing or other competent authority prior to publication.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Base Prospectus dated [original date]. This document constitutes the Final Terms of the securities described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 31 October 2011 which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] and are attached hereto. Full information on the Issuer and the offer of the securities is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 31 October 2011, save for the conditions therein, which are replaced by the Conditions and attached hereto. Copies of such documents are available for viewing at <http://www.abnamro.com/debtinvestors> and during normal business hours at the registered office of the Issuer, currently at Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands and copies may be obtained from the Issuer at that address.

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]*

*[When adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]*

1. Issuer: ABN AMRO Bank N.V.
2. (i) Series Number: [•]  
(ii) Tranche Number: [•]  
*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
3. Specified Currency or Currencies [•]
4. Aggregate Nominal Amount:  
- Tranche: [•]  
- Series: [•]
5. Issue Price of Tranche [•]% of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
6. (a) Specified Denominations: [•]  
[“[EUR100,000] or equivalent and integral multiples of [EUR1,000] or equivalent in excess thereof up to and including [EUR199,000] or equivalent. No Notes in definitive form will be issued with a denomination above [EUR199,000]”]

- or equivalent.”]
- [“144A Global Certificates denominated in US dollars: US\$200,000 and integral multiples of US\$1,000 in excess thereof.”]
- (b) Calculation Amount *(If only one Specified Denomination, insert the Specified Denomination.*
- If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (i) Issue Date [●]
- (ii) Interest Commencement Date: [●]
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: [Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month and year]]
- (N.B. Tier 2 Notes must have an original minimum maturity of five years and one day)*
9. Interest Basis: [[●]% Fixed Rate]  
 [+/- [●]% Floating Rate] [specify interest basis]  
 [CD Rate]  
 [CMT Rate]  
 [Federal Funds Rate]  
 [Eleventh District Cost of Funds Rate]  
 [Prime Rate]  
 [Treasury Rate]  
 [Commercial Paper Rate]  
 [EURIBOR]  
 [LIBOR]  
 [Dual Currency Interest]  
 [Zero Coupon]  
 [Index Linked Interest]  
 [specify other]  
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
 [Index Linked Redemption]  
 [Dual Currency Redemption]

[specify other]

*(N.B. If the Final Redemption Amount is other than 100 % of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*

11. Change of Interest Basis or Redemption/ Payment Basis:

[Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]

*(N.B. Tier 2 Notes cannot have a step-up in margin before 5 years)*

12. Put/Call Options:

[Investor Put]  
[Issuer Call]  
[(further particulars specified below)]

13. Status of the Notes:

[Senior/Subordinated Notes/Tier 2 Subordinated Notes]

14. Date of Board approval for the issuance of Notes obtained (if relevant)

[•]

15. Method of distribution:

[Syndicated/Non-syndicated]

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

16. **Fixed Rate Note Provisions**

[Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(i) Rate(s) of Interest:

[•]% per annum [payable [annually/semi-annually/quarterly/other (*specify*)] in arrear]

*(If payable other than annually, consider amending Condition 5)*

(ii) Fixed Interest Period:

[•]

(iii) Interest Payment Date(s):

[•] in each year up to and including the Maturity Date

*(NB: This will need to be amended in the case of long or short coupons)*

- (iv) First Interest Payment Date: [●]
- (v) Fixed Coupon Amount(s): [●] per Calculation Amount
- (vi) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
- (vii) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or specify other]
- (viii) [Determination Date(s): [●] in each year

*(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*

*NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration*

*NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA)]*

- (ix) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/give details]

17. **Floating Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Interest Period(s): [●]
- (ii) Interest Commencement Date: [●]
- (iii) Interest Determination Date: [●]
- (iv) First Interest Payment Date: [●]
- (v) Specified Interest Payment Dates: [●]
- (vi) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/None/[specify other]]



- (vii) Unadjusted [No/Yes/Not applicable]
- (Only applicable in case a Business Day Convention applies. Insert "No" if the amount of interest payable in respect of the relevant Interest Period should also be adjusted in accordance with the applicable Business Day Convention. Insert "Yes" if the amount of interest should be calculated as if the relevant Interest Payment Date were not subject to adjustment in accordance with the applicable Business Day Convention.)*
- (viii) Additional Business Center(s): [•]
- (ix) Manner in which the Rate of Interest and Interest Amounts is to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (x) Party responsible for calculating the Rate of Interest and Interest Amounts (if not the Calculation Agent): [•]
- (xi) Reference Rate Determination: [Yes/No]
- Initial Interest Rate: [•]
  - Index Maturity: [•]
  - Interest Rate Basis or Bases: [CD Rate]  
[CMT Rate]  
[Commercial Paper Rate]  
[Eleventh District Cost of Funds Rate]  
[EURIBOR]  
[Federal Funds Rate]  
[LIBOR]  
[Prime Rate]  
[Treasury Rate]  
[Other]  
*(See Condition 5 for alternatives)*
  - Index Currency: [•]
  - Spread: [+/-][•]% per annum

- Spread Multiplier: [•]
  - Interest Determination Date: [•]
  - Initial Interest Reset Date: [•]
  - Initial Reset Period: [•]
  - Initial Reset Dates: [•]
  - (xii) ISDA Determination: [Yes/No]
  - Floating Rate Option: [•]
  - Designated Maturity: [•]
  - Reset Date: [•]
  - (xiii) Margin(s): [+/-] [•]% per annum
  - (xiv) Minimum Rate of Interest: [•]% per annum
  - (xv) Maximum Rate of Interest: [•]% per annum
  - (xvi) Day Count Fraction: [Actual/Actual (ISDA)]  
[Actual/365 (Fixed)]  
[Actual/360]  
[30/360]  
[30E/360]  
[30E/360 (ISDA)]  
[Other]  
(See Condition 5 for alternatives)
  - (xvii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [•]
18. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Accrual Yield: [•]% per annum

- (ii) Reference Price: [•]
- (iii) Any other formula/basis of determining amount payable: [•]
- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7(e)(ii) and (i) apply/specify other] *(Consider applicable day count fraction if not US dollar denominated)*

19. **Index Linked Interest Note Provisions** [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

*(N.B. If the Final Redemption Amount is other than 100 % of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*

- (i) Index/Formula: [give or annex details]
- (ii) Calculation Agent: [give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]
- (iii) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Fiscal Agent): [•]
- (iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (v) Specified Period(s)/Specified Interest Payment Dates: [•]
- (vi) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/specify other]

- (vii) Additional Business Center(s): [•]
- (viii) Minimum Rate of Interest: [•]% per annum
- (ix) Maximum Rate of Interest: [•]% per annum
- (x) Day Count Fraction: [•]
20. **Dual Currency Interest Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*  
*(If applicable include Specified Currency(ies))*
- (N.B. If the Final Redemption Amount is other than 100 % of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulations will apply.)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]
- (ii) Party, if any, responsible for calculating the interest due (if not the Fiscal Agent or Exchange Rate Agent): [•]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [•]  
*(If applicable, need to include a description of market disruption or settlement disruption events and adjustment provisions)*
- (iv) Person at whose option Specified Currency(ies) is/are payable: [•]
- (v) Notice period for specifying payment in Specified Currency(ies): [•]

**PROVISIONS RELATING TO REDEMPTION**

21. Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [•] per Calculation Amount/specify other/see Appendix
- (iii) Party responsible for calculating Optional Redemption Amount (if not the Fiscal Agent or Exchange Rate Agent): [•]
- (iv) Provisions where calculation of Option Redemption Amount impossible or impracticable: [•]
- (v) For Dual Currency Redemption Notes, person at whose option Specified Currency(ies) is/are payable: [•]
- (vi) If redeemable in part:
  - (a) Minimum Redemption Amount: [•]
  - (b) Maximum Redemption Amount: [•]
- (vii) Notice period (if other than as set out in the Conditions): [•]

*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*

22. Investor Put: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [•] per Calculation Amount/specify other/see Appendix
- (iii) Party responsible for calculating Optional Redemption Amount (if not the Fiscal Agent or Exchange Rate Agent): [•]
- (iv) Provisions where calculation of Option Redemption Amount impossible or impracticable: [•]
- (v) For Dual Currency Redemption Notes, person at whose option Specified Currency(ies) is/are payable: [•]
- (vi) Notice period (if other than as set out in the Conditions): [•]

*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Fiscal Agent)*

23. Regulatory Call: [•]

24. Final Redemption Amount of each Note: [[•] per Calculation Amount/specify other/see Appendix]

*(N.B. If the Final Redemption Amount is other than 100 % of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulations will apply.)*

(i) Index/formula/Specified [Not Applicable/give or annex details]

Currency/other variable:

- (ii) Provisions for determining Final Redemption Amount where calculated by reference to index and/or formula and/or Specified Currency(ies) and/or other variable: [Not Applicable/*give or annex details*]
  - (iii) Party responsible for calculating Final Redemption Amount (if not the Fiscal Agent or Exchange Rate Agent): [•]
  - (iv) Provisions applicable where calculation of Final Redemption Amount impossible or impracticable: [•]
  - (v) For Dual Currency Redemption Notes, person at whose option Specified Currency(ies) is/are payable: [•]
  - (vi) Payment date (if other than as set out in the Conditions): [Not Applicable/*specify*]
  - (vii) Delivery date: [Not Applicable/*specify*]
25. Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)): [•] per Calculation Amount/*specify other/see Appendix*

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

26. Form of Notes:

- (a) Form: Registered
  - [DTC Regulation S Global Certificate registered in the name of, or nominee of, DTC]
  - [Regulation S Global Certificate registered in the name of, or the name of a nominee of, [a common

depository for Euroclear and Clearstream,  
Luxembourg/a Common Safekeeper for Euroclear  
and Clearstream, Luxembourg]]

[Rule 144A Global Certificate registered in the  
name of, or the name of a nominee of, DTC]

27. Additional Financial Center(s) or  
other special provisions relating to  
Payment Day:

[Not Applicable/*give details*]

28. Other final terms:

[Not Applicable/*give details including, as  
necessary, additional information with respect to  
Structured Notes*]

*[(When adding any other final terms  
consideration should be given as to whether such  
terms constitute “significant new factors” and  
consequently trigger the need for a supplement to  
the Base Prospectus under Article 16 of the  
Prospectus Directive)]*

*(Consider including a term providing for tax  
certification if required to enable interest to be  
paid gross by issuers.)*

29. [For the purposes of Condition 12,  
notices to be published in the  
Financial Times (generally yes, but  
not for domestic Dutch issues):]

[Yes/No]

30. Whether Condition 8(a) of the  
Notes applies (in which case  
Condition 7(b) of the Notes will  
not apply) or whether Condition  
8(b) and Condition 7(b) of the  
Notes apply:

[Condition 8(a) applies and Condition 7(b) does  
not apply/Condition 8(b) and Condition 7(b)  
apply]

## **DISTRIBUTION**

31. (i) If syndicated, names and  
addresses of Managers and  
underwriting commitments:

[Not Applicable/*give names, addresses and  
underwriting commitments*]

*(Include names and addresses of entities agreeing  
to underwrite the issue on a firm commitment  
basis and names and addresses of the entities  
agreeing to place the issue without a firm*



*commitment or on a "best efforts" basis if such entities are not the same as the Managers.)*

- (ii) Date of Pricing Term Sheet [●]
- (iii) Stabilizing Manager(s) (if any): [Not Applicable/give name]
- 32. If non-syndicated, name and address of relevant Manager: [Not Applicable/specify name and address of Agent]
- 33. Total commission and concession: [●]% of the Aggregate Nominal Amount
- 34. Eligibility [Rule 144A only/Reg S only/Rule 144A and Reg S]
- 35. US Selling Restrictions: [144A/Reg S]
- 36. Additional selling restrictions: [Not Applicable/give details]

## PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and [admission to trading on [Euronext in Amsterdam/*specify relevant regulated market and, if relevant, admission to an official list*] of the Notes described herein] pursuant to the Program for the issuance of Senior/Subordinated Medium Term Notes of ABN AMRO Bank N.V.

## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[*Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of ABN AMRO Bank N.V.:

By: \_\_\_\_\_  
Duly authorized

By: \_\_\_\_\_  
Duly authorized

## PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING** [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [Euronext in Amsterdam/*specify relevant regulated market and, if relevant, admission to an official list*] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [Euronext in Amsterdam/ *specify relevant regulated market and, if relevant, admission to an official list*] with effect from [●].] [Not Applicable.]
- (i) Admission to Trading:
- (ii) Estimate of total expenses related to admission to trading: [●]

## 2. RATINGS

Ratings:

The Notes to be issued have been rated:

[S & P: [●]]

[Moody's: [●]]

[Fitch: [●]]

[[Other]: [●]]

*[Include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]*

*[[Insert full legal name of credit rating agency/ies] [is]/[are] established in the European Union and [has]/[have each] applied for registration under Regulation (EC) No 1060/2009, although the result of such application has not yet been determined.]*  
*[[Insert full legal name of credit rating agency/ies] [is]/[are] established in the European Union and registered under Regulation (EC) No 1060/2009.]* *[[Insert full legal name of credit rating agency/ies] [is]/[are] not established in the European Union and [has]/[have] not applied for registration under Regulation (EC) No 1060/2009.]*

*(The above disclosure should reflect the rating allocated to Notes of the type issued under the Program generally or, where the issue has been*

*specifically rated, that rating.)*

(A rating does not constitute a recommendation to purchase, sell or hold a particular Note.)

**3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

[Save for any fees payable to the [Managers/Agents], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. – *Amend as appropriate if there are other interests*]

[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)]

The Agents and their respective affiliates are full service financial institutions and they may provide or may have in the past provided services to the Issuer in that capacity, and they may hold or make investment recommendations relating to securities or instruments of the Issuer. See “*Plan of Distribution*”.

**4. REASONS FOR THE OFFER; ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[(i) Reasons for the offer: [●]

*(See [“Use of Proceeds”] wording in Base Prospectus – if reasons for offer different from general funding purposes and/or making profit and/or hedging certain risks will need to include those reasons here.)]*

[(ii)] Estimated net proceeds [●]

*[Only include if reasons are set out in [(i) above]*

*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

[(iii)] Estimated total expenses: [●]

*[Include breakdown of expenses]*

*(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies [(i) above is required where the reasons for the offer are different from*

*general funding purposes and/or making profit and/or hedging certain risks and, where such reasons are inserted in [(i), disclosure of net proceeds and total expenses at [(ii)] and [(iii)] above are also required.)*

5. **YIELD** (*Fixed Rate Notes only*)

Indication of yield:

[●]

[Calculated as [*include details of method of calculation in summary form*] on the Issue Date.]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. **PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING** (*Index-Linked Interest Notes only*)

*[If there is a derivative component in the interest or the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

*(N.B. The requirements below only apply if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)*

*[Need to include details of where past and future performance and volatility of the index/formula can be obtained.]*

*[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.]*

*[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

*[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)]*

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information].

7. **PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (*Dual Currency Notes only*)**

*[If there is a derivative component in the interest or the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

*(N.B. The requirement below only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)*

*[Need to include details of where past and future performance and volatility of the relevant rates can be obtained.]*

*[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)]*

8. **OPERATIONAL INFORMATION**

- (i) CUSIP:
- (ii) ISIN Code:
- (iii) Common Code:
- (iv) Any clearing system(s) other than DTC or Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and numbers(s)]
- (v) Delivery: Delivery [against/free of] payment
- (vi) Names and addresses of initial Paying Agent(s):
- (vii) Names and addresses of additional Paying Agent(s) (if any):
- (viii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No]  
 [Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as Common Safekeeper, and registered in the name of a nominee of one of the ICSDs acting as

Common Safekeeper and does not necessarily mean that the Notes will be recognized as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met][*Include this text if “yes” selected, in which case the Global Certificate governing such Notes must be held under the New Safekeeping Structure*]

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of Notes to be issued by the Issuer (each, a “**Condition**”) which will be incorporated by reference into each Global Certificate and the Definitive Notes (if any). The applicable Pricing Term Sheet or Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Tranche of Notes. The applicable Pricing Term Sheet or Final Terms will be endorsed on, incorporated by reference into, or attached to, each Global Certificate and Definitive Note. Reference should be made to “Book Entry, Delivery, Form and Settlement” above for a description of the content of Final Terms which includes the definition of certain terms used in the following Terms and Conditions.*

This Note is one of a series of Notes issued by ABN AMRO Bank (in such capacity, the “**Issuer**”, which expression shall include any Substituted Debtor pursuant to Condition 15) pursuant to the Amended and Restated Agency Agreement (as defined below). References herein to the “**Notes**” shall be references to the Notes of this Series (as defined below) and shall mean (i) in relation to any Notes represented by a Global Certificate, units of the lowest Specified Denomination in the Specified Currency, (ii) Definitive Notes issued in exchange for a Global Certificate and (iii) any Global Certificate. The Notes will be issued in accordance with a an Amended and Restated Agency Agreement dated as of 31 October 2011 (the “**Amended and Restated Agency Agreement**”), among the Issuer, The Bank of New York Mellon, London Branch, as Fiscal Agent and transfer agent (“**Transfer Agent**”), The Bank of New York Mellon, New York as US registrar (the “**US Registrar**”) and US paying agent (the “**US Paying Agent**”), The Bank of New York Mellon (Luxembourg) S.A. as European paying agent (the “**European Paying Agent**”, and together with the US Paying Agent, the “**Paying Agents**,” and each individually, a “**Paying Agent**”) and European registrar (the “**European Registrar**” and, together with the US Registrar, the “**Registrars**” and, each, a “**Registrar**”). The terms US Registrar, US Paying Agent, European Paying Agent, Transfer Agent, and European Registrar shall include any additional or successor agents appointed in such capacities by the Issuer. The Amended and Restated Agency Agreement permits the appointment of other agents, including one or more calculation agents (each, a “**Calculation Agent**”) and a currency exchange agent (the “**Exchange Rate Agent**”). Unless otherwise indicated in an applicable Pricing Term Sheet and/or Final Terms, The Bank of New York Mellon will act as Calculation Agent and as Exchange Rate Agent with respect to the Notes. Because the Notes will not be issued pursuant to an indenture, each Noteholder will be responsible for acting independently with respect to certain matters affecting such holder’s Notes, including enforcing any covenants contained therein, including covenants in connection with the Subordinated Notes, and responding to any requests for consents or waivers. The term “**Registered Note**” means a Note in registered form.

Any reference herein to “**Noteholders**” shall mean the several persons who are for the time being holders of outstanding Securities (being, the registered owners thereof as reflected in the relevant Registers), except that for so long as any of the Notes are represented by a Global Certificate, each person who is for the time being shown in the records of DTC and/or Euroclear and/or Clearstream, Luxembourg as the holder of a particular principal amount of such Securities (other than Clearstream, Luxembourg if Clearstream, Luxembourg shall be an account holder of Euroclear and other than Euroclear if Euroclear shall be an account holder of Clearstream, Luxembourg) (in which regard any certificate or other document issued by DTC and/or Euroclear and Clearstream, Luxembourg as to the principal amount of such Securities standing to the



account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by ABN AMRO Bank and the Fiscal Agent as a holder of such principal amount of such Notes for all purposes other than for the payment of principal, premium (if any) and interest on such Securities, the right to which shall be vested, as against ABN AMRO Bank and the Fiscal Agent, solely in the person in whose name the Global Certificate is registered in accordance with and subject to its terms (and the expressions “**Holder**”, “**Holder of Notes**” and related expressions shall be construed accordingly);

The Final Terms for this Note is endorsed hereon or attached hereto and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References herein to the “**applicable Final Terms**” are to the Final Terms for this Note. References herein to the “**applicable Pricing Term Sheet**” are to the Pricing Term Sheet for this Note.

As used herein, “**Tranche**” means Notes which are identical in all respects (including as to listing) and “**Series**” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) are identical in all respects (including as to listing and admission to trading) from the date on which such consolidation is expressed to take effect except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Amended and Restated Agency Agreement and the applicable Final Terms are available for viewing at the specified offices of each of the Fiscal Agent, the Registrars and the other Paying Agents and at and copies may be obtained from those offices. The Noteholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Amended and Restated Agency Agreement and the applicable Final Terms which are binding on them.

Words and expressions defined in the Amended and Restated Agency Agreement or used in the applicable Final Terms and/or Pricing Term Sheet shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated.

## **1. Form, Denomination and Title**

The Notes are issued in registered form without interest coupons attached and, in the case of Definitive Notes, serially numbered, in the Specified Currency, the Specified Denomination(s) and the specified Form(s).

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms and/or Pricing Term Sheet.

This Note may be an Index Linked Redemption Note, or a Dual Currency Redemption Note or a combination of any of the foregoing, depending on the Redemption/Payment Basis shown in the applicable Final Terms and/or Pricing Term Sheet.

This Note may be a Senior Note or a Tier 2 Subordinated Note as indicated in the applicable Final Terms and/or Pricing Term Sheet.

This Note may be a Structured Note.

The Notes are represented by one or more global registered note certificates (each, a “**Global Certificate**”) without receipts, interest coupons or talons. A Global Certificate will be issued to each person in whose name a Global Certificate is for the time being registered in the Register (as defined in this Condition 1), or, in the case of a joint holding, the first named thereof (the “**Registered Holder**”), in respect of its holding. The serial number of each Global Certificate will be recorded in the Register. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the US Registrar or European Registrar (as the case may be) in accordance with the provisions of the Amended and Restated Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law or applicable regulations, the Issuer, the Fiscal Agent, the Registrar, any Paying Agent and any Transfer Agent may deem and treat the Registered Holder of any Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Certificate, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as DTC, Euroclear, or Clearstream, Luxembourg, as the case may be, or its nominee is the Registered Holder of a Global Certificate, such holder shall (except as otherwise provided by applicable law or regulatory requirements) be treated by the Issuer, the Fiscal Agent, any Paying Agent, the Registrar and any Transfer Agent as the absolute owner of such principal amount of such Notes for all purposes and no person shall be liable for so treating such Registered Holder. References to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms and/or Pricing Term Sheet.

The Notes are in the minimum denomination specified in the Final Terms and/or Pricing Term Sheet or integral multiples thereof.

## **2. Transfers and Exchange of Notes**

### **(a) Transfers Generally**

Ownership of beneficial interests in Global Certificates will be evidenced only by, and transfers thereof will be effected only through, records maintained by the relevant clearing system through which such beneficial interests are held and such clearing system’s direct and indirect participants. Owners of beneficial interests in Global Certificates will not be entitled to receive physical delivery of Definitive Notes except in certain limited circumstances, including closure of the relevant clearing system(s). Any registered interests in a Global Certificate (i) may, upon the terms and subject to the conditions set forth in the Amended and Restated Agency Agreement, be transferred by the Registered Holder in whole or in part only (provided that such part is, or is an integral multiple of, the minimum denomination specified in the Final Terms and/or Pricing Term Sheet) upon the surrender of the Notes to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. A new Note will be issued to the transferee and, in the case of a transfer of part only of a Note, a new Note in respect of the balance not transferred will be issued to the transferor and (ii) will be transferable only in accordance with the rules and procedures for the time being as in effect from time to time of DTC, Euroclear and/or Clearstream, Luxembourg or such other applicable clearing system as the case may be.

**(b) Exchange and Transfer of Definitive Notes**

*(i) Exchange for Definitive Notes*

Unless otherwise provided in the applicable Pricing Term Sheet and/or Final Terms, beneficial interests in a Global Certificate will be exchangeable by the Issuer in whole but not in part only at the option of the Registered Holder for Definitive Notes, only if such exchange is permitted by applicable law and (i) in the case of a DTC Global Certificate, DTC notifies the Issuer that it is unwilling or unable to continue as depository for the DTC Global Certificate or DTC ceases to be a clearing agency registered under the Exchange Act, if so required by applicable law or regulation, and, in either case, a successor depository is not appointed by the Issuer within 90 days after receiving such notice or becoming aware that DTC is no longer so registered, (ii) in the case of any other Global Certificate, if the clearing system(s) through which it is cleared and settled is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to cease business permanently or does in fact do so and a successor or successors is or are not appointed by the Issuer within 90 days from the commencement of such closure, announcement or cessation of business, or (iii) upon an Event of Default as described in Condition 9.

*(ii) Transfers of Definitive Notes*

Subject to paragraphs (iii), (iv) and (v) below, a Definitive Note may be transferred upon surrender of the Definitive Note, with the endorsed form of transfer duly completed (or another form of transfer in substantially the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), at the specified office of the Relevant Registrar or any Paying Agent, together with such evidence as the Relevant Registrar or (as the case may be) such Paying Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer. Where not all the Definitive Notes represented by the surrendered Definitive Notes are the subject of the transfer, a new Definitive Note in respect of the balance of the Definitive Notes will be issued to the transferor.

*(iii) Registration and delivery of Definitive Notes*

Within five business days of the surrender of a Definitive Note and receipt of the form of transfer or duly signed and completed notice of exercise (an “**Exercise Notice**”) in accordance with paragraph (ii) above, the Relevant Registrar will register the transfer in question and deliver a new Definitive Note of a like principal amount to the Definitive Notes transferred to each transferee at its specified office or (as the case may be) the specified office of any Paying Agent or (at the request and risk of any such relevant transferee) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such transferee. In this paragraph, “Business Day” means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Relevant Registrar or (as the case may be) the relevant Transfer Agent has its specified office. Title to such Definitive Note passes by registration as evidenced by entries in the applicable Register.

(iv) *No charge*

The transfer of a Definitive Note will be effected without charge by or on behalf of the Issuer, the Relevant Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other governmental charges of whatsoever nature which may be levied or imposed in connection with such transfer.

(v) *Closed periods*

Neither transferors nor transferees may require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.

(vi) *Regulations concerning transfers and registration*

All transfers of Definitive Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Definitive Notes scheduled to the Amended and Restated Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Relevant Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Registered Holder who requests in writing a copy of such regulations.

(c) ***Exchange Between Regulation S Global Certificates and Rule 144A Global Certificates***

Beneficial interests in a Regulation S Global Certificate may be transferred to a person who wishes to hold a beneficial interest in a Rule 144A Global Certificate only upon receipt by the Relevant Registrar, the Transfer Agent and the Relevant Paying Agent of a written certification from the transferor (in the form set out in the Amended and Restated Agency Agreement) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A purchasing for its own account or for the account of a qualified institutional buyer, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States.

Beneficial interests in a Rule 144A Global Certificate may also be transferred to a person who wishes to hold a beneficial interest through a Regulation S Global Certificate, but only upon receipt by the Relevant Registrar, the Transfer Agent and the Relevant Paying Agent of a written certification from the transferor to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or with Rule 144A (if available) under the Securities Act.

Any beneficial interest in either a Rule 144A Global Certificate or a Regulation S Global Certificate that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Certificate will, upon transfer, cease to be a beneficial interest in such Global Certificate and become a beneficial interest in the other Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Certificate.

### **3. Status of Senior Notes**

Senior Notes constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and with all other present

and future unsecured and unsubordinated obligations of the Issuer save for those preferred by mandatory and/or overriding provisions of law.

#### **4. Status and Subordination Terms relating to Subordinated Notes**

##### **(a) Status**

Subordinated Notes constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and with all other present and future unsecured and subordinated obligations of the Issuer (other than those subordinated obligations expressed by their terms to rank lower than the Subordinated Notes), save for those expressed by their terms to rank in priority to the Subordinated Notes and those preferred by mandatory and/or overriding provisions of law (“**Senior Indebtedness**”). For the purposes of the regulatory capital requirements of DNB to which the Issuer is subject, Subordinated Notes will qualify as tier 2 capital, as specified in the applicable Final Terms and/or Pricing Term Sheet.

##### **(b) Agreement to Subordinate**

The Issuer, for itself, its successors and assigns, covenants and agrees, and each Noteholder of this Series of Subordinated Notes, by accepting the same, likewise covenants and agrees, that the payment of principal and interest payable in respect of any Series of Subordinated Notes is hereby expressly subordinated, to the extent and in the manner hereinafter set forth, in right of payment to the prior payment in full of all Senior Indebtedness.

##### **(c) Distribution on Dissolution, Liquidation and Reorganization; Subrogation of the Subordinated Notes**

In the event of any dissolution, winding up, liquidation or reorganization of the Issuer, or in the event that a competent court has declared that the Issuer requires emergency measures (*noodregeling*), in the interests of all creditors, as referred to in Chapter 3.5.5 of the Dutch Act on financial supervision (*Wet op het financieel toezicht*, the “**Wft**”), and for so long as such situation is in force (such situation being hereinafter referred to as a “**Moratorium**”), whether in bankruptcy, insolvency, reorganization or receivership proceedings or upon an assignment for the benefit of creditors or any other marshalling of the assets and liabilities of the Issuer or otherwise (subject to the power of a court of competent jurisdiction to make other provision reflecting the rights conferred in these Terms and Conditions upon any Senior Indebtedness and the holders thereof with respect to the Subordinated Notes of this Series and the Noteholders thereof by a lawful plan or reorganization under applicable bankruptcy law), the claims of the Registered Holders of Subordinated Notes (the “**Subordinated Holders**”) against the Issuer shall be subordinated to (a) the claims of depositors (other than those whose deposits are expressed to rank equally to or lower than the Subordinated Notes) against the Issuer (b) all unsubordinated claims against the Issuer with respect to the repayment of borrowed money and (c) any other unsubordinated claims (collectively, “**Senior Claims**”).

By virtue of such subordination, payments to a Subordinated Holder will, in the event of any dissolution, winding up, liquidation or bankruptcy of the Issuer or in the event of a Moratorium, with respect to the Issuer, only be made after, and any set-off by a Subordinated Holder shall be excluded until, all obligations of the Issuer resulting from Senior Claims have been satisfied in full.

## 5. Interest

Notes may be interest-bearing or non interest-bearing, as specified in the Final Terms and/or Pricing Term Sheet. Interest-bearing Notes shall be Fixed Rate Notes, Floating Rate Notes, Index Linked Interest Notes or Dual Currency Interest Notes.

### (a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year up to and including the Maturity Date.

As used in the Conditions, “**Fixed Interest Period**” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

The amount of interest payable in respect of each Note for any Fixed Interest Period shall be the relevant Fixed Coupon Amount (or, in respect of the Fixed Interest Period beginning on the Interest Commencement Date or the Interest Period ending on the Maturity Date, the Broken Amount, if so specified in the Final Terms) and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

If interest is required to be calculated for a period other than a Fixed Interest Period or no Fixed Coupon Amount is specified in the applicable Pricing Term Sheet or Final Terms, such interest shall be calculated by applying the Rate of Interest to the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Certificate and multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 5(a):

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Pricing Term Sheet or Final Terms:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period, the sum of:
    - (1) the actual number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the

product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(ii) if “30/360” is specified in the applicable Pricing Term Sheet or Final Terms, the number of days in the Determination Period in respect of which payment is being made divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

Where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Accrual Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Accrual Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Accrual Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Accrual Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Accrual Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Accrual Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30.

In these Conditions:

“**Determination Period**” means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

“**sub-unit**” means, with respect to any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and with respect to Euro, means one cent.

**(b) Interest on Floating Rate Notes and Index Linked Interest Notes**

(i) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date at the rate equal to the Rate of Interest payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Term Sheet or Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Term Sheet or Final Terms, each date (each such date, together with each Specified Interest Payment Date, an “**Interest Payment Date**”) which falls on the number of months or other period specified as the Interest Period in the applicable Pricing Term Sheet or Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Pricing Term Sheet or Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Interest Periods are specified in accordance with Condition 5(b)(i)(B) above, the Floating Rate Convention, such First Interest Payment Date or Specified Interest Payment Date, as the case may be (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the number of months or other period specified as the Interest Period in the applicable Pricing Term Sheet or Final Terms after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or



- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

If a Business Day Convention is specified in the applicable Final Terms, the number of days for calculating the amount of interest payable in respect of the relevant Interest Period shall also be adjusted in accordance with such Business Day Convention, unless "Unadjusted" is specified in the applicable Final Terms, in which case such amount of interest shall be calculated as if the relevant Interest Payment Date were not subject to adjustment in accordance with the Business Day Convention specified in the applicable Final Terms.

In this Condition, "**Business Day**" means, unless otherwise specified in the applicable Final Terms and/or Pricing Term Sheet, a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Center specified in the applicable Pricing Term Sheet or Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (if other than London and any Additional Business Center and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in Euro, a day on which the TARGET2 System (or any successor thereto) is open. In these Conditions, "**TARGET2 System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Term Sheet or Final Terms on the following basis:

(A) ISDA Determination

Where ISDA Determination is specified in the applicable Pricing Term Sheet or Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the sum of the relevant ISDA Rate and the Margin (if any). For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the

International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes (the “**ISDA Definitions**”) and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is the period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“**LIBOR**”) for a currency or on the Euro-zone inter-bank offered rate (“**EURIBOR**”), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Term Sheet or Final Terms.

For the purposes of this sub-paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” have the meanings given to those terms in the ISDA Definitions.

When this sub-paragraph (A) applies, in respect of each relevant Interest Period the Agent will be deemed to have discharged its obligations under Condition 5(b)(iv) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this sub-paragraph (A).

(B) Reference Rate Determination

The rate of Interest on Floating Rate Notes will be determined by reference to the applicable Interest Basis, which may, as described below, include:

- (1) the CD Rate;
- (2) the CMT Rate;
- (3) the Commercial Paper Rate;
- (4) the Eleventh District Cost of Funds Rate;
- (5) EURIBOR;
- (6) the Federal Funds Rate;
- (7) LIBOR;
- (8) the Prime Rate;

- (9) the Treasury Rate; or
  - (10) such other Interest Basis or Bases or interest rate formula as may be specified in the applicable Pricing Term Sheet or Final Terms, as the case may be.
- (C) Other Interest Rate Determinations

Unless otherwise specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, the Calculation Agent shall determine each Interest Rate Basis in accordance with the following provisions:

(1) *CD Rate*

If “CD Rate” is specified in the applicable Pricing Term Sheet and/or Final Terms, this Note will bear interest at the interest rate (calculated with reference to the CD Rate and the Spread and/or Spread Multiplier, if any) specified in the applicable Pricing Term Sheet and/or Final Terms.

Unless otherwise specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, “**CD Rate**” means, with respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined with reference to the CD Rate (a “CD Rate Interest Determination Date”), the rate on such date for negotiable US dollar certificates of deposit having the Index Maturity specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, as published in H.15(519) (as defined below) opposite the caption “CDs (secondary market)” or, if not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on such CD Rate Interest Determination Date for negotiable US dollar certificates of deposit of the Index Maturity specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, as published in H.15 Daily Update (as defined below), or such other recognized electronic source used for the purpose of displaying such rate, opposite the caption “CDs (secondary market)”. If such rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the related Calculation Date, then the CD Rate on such CD Rate Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the secondary market offered rates as of 10:00 A.M., New York City time, on such CD Rate Interest Determination Date, of three leading nonbank dealers in negotiable US dollar certificates of deposit in New York City (which may include the Agents or their affiliates) selected by the Calculation Agent for negotiable US dollar certificates of deposit of major United States money banks with a remaining maturity closest to the Index Maturity specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, in an amount that is representative for a single transaction in that market at that time; provided, however, that if the dealers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the CD

Rate determined as of such CD Rate Interest Determination Date will be the CD Rate in effect on such CD Rate Interest Determination Date.

“**H.15(519)**” means the weekly statistical release published by the Board of Governors of the Federal Reserve System and available on their website at [www.federalreserve.gov/releases/h15/update/h15upd.htm](http://www.federalreserve.gov/releases/h15/update/h15upd.htm), or any successor site or publication.

“**H.15 Daily Update**” means the daily update of H.15(519), published by the Board of Governors of the Federal Reserve System and available on their website at [www.federalreserve.gov/releases/h15/update/h15upd.htm](http://www.federalreserve.gov/releases/h15/update/h15upd.htm), or any successor site or publication.

(2) *CMT Rate*

If “CMT Rate” is specified in the applicable Pricing Term Sheet and/or Final Terms, this Note will bear interest at the rates (calculated with reference to the CMT Rate and the Spread and/or Spread Multiplier, if any) specified in the applicable Pricing Term Sheet and/or Final Terms.

Unless otherwise specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, “**CMT Rate**” means, with respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined with reference to the CMT Rate (a “**CMT Rate Interest Determination Date**”),

- (i) if “Reuters Page FRBCMT” (as defined below) is specified in the applicable Pricing Term Sheet or Final Terms, as the case may be:
  - (a) the percentage equal to the yield for United States Treasury securities at “constant maturity” having the Designated CMT Maturity Index specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, as published in H.15(519) opposite the caption “Treasury constant maturities”, as the yield is displayed on Reuters (or any successor service) (“Reuters”) on page FRBCMT (or any other page as may replace such page on such service) (“Reuters Page FRBCMT”), on the particular CMT Rate Interest Determination Date, or
  - (b) if the rate referred to in clause (a) does not so appear on the Reuters Page FRBCMT, the percentage equal to the yield for United States Treasury securities at “constant maturity” having the particular Designated CMT Maturity Index and for the particular CMT Rate Interest Determination Date as published in H.15(519) opposite the caption “Treasury constant maturities”, or

- (c) if the rate referred to in clause (b) does not so appear in H.15(519), the rate on the particular CMT Rate Interest Determination Date for the period of the particular Designated CMT Maturity Index as may then be published by either the Federal Reserve System Board of Governors or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate which would otherwise have been published in H.15(519), or
- (d) if the rate referred to in clause (c) is not so published, the rate on the particular CMT Rate Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 P.M., New York City time, on that CMT Rate Interest Determination Date of three leading primary United States government securities dealers in The City of New York (which may include the Agents or their affiliates) (each, a “**Reference Dealer**”), selected by the Calculation Agent from five Reference Dealers selected by the Calculation Agent and eliminating the highest quotation, or, in the event of equality, one of the highest, and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity equal to the particular Designated CMT Maturity Index, a remaining term to maturity no more than one year shorter than that Designated CMT Maturity Index and in a principal amount that is representative for a single transaction in such securities in that market at that time, or
- (e) if fewer than five but more than two of the prices referred to in clause (d) are provided as requested, the rate on the particular CMT Rate Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations shall be eliminated, or
- (f) if fewer than three prices referred to in clause (d) are provided as requested, the rate on the particular CMT Rate Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices as approximately 3:30 P.M., New York City time, on that CMT Rate Interest Determination Date of three Reference Dealers selected by the Calculation Agent from five Reference Dealers selected by the Calculation

Agent and eliminating the highest quotation or, in the event of equality, one of the highest and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity greater than the particular Designated CMT Maturity Index, a remaining term to maturity closest to that Designated CMT Maturity Index and in a principal amount that is representative for a single transaction in such securities in that market at that time, or

- (g) if fewer than five but more than two prices referred to in clause (f) are provided as requested, the rate on the particular CMT Rate Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations will be eliminated, or
  - (h) if fewer than three prices referred to in clause (f) are provided as requested, the CMT Rate in effect on the particular CMT Rate Interest Determination Date, or
  - (i) if two such United States Treasury securities with an original maturity greater than the Designated CMT Maturity Index have remaining terms to maturity equally close to such Designated CMT Maturity Index, the quotes for the Treasury security with the shorter original term to maturity will be used.
- (ii) if “Reuters Page FEDCMT” (as defined below) is specified in the applicable Pricing Term Sheet or Final Terms, as the case may be:
- (a) the percentage equal to the one week or one month, as specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, average yield for United States Treasury securities at “constant maturity” having the Designated CMT Maturity Index, as published in H.15(519) opposite the caption “Treasury constant maturities”, as the yield is displayed on Reuters on page FEDCMT (or any other page as may replace such page on such service) (“**Reuters Page FEDCMT**”), for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which such CMT Rate Interest Determination Date falls, or
  - (b) if the rate referred to in clause (a) does not so appear on the Reuters Page FEDCMT, the percentage equal to the one week or one month, as applicable, average yield for United States Treasury securities at “constant maturity”

having the particular Designated CMT Maturity Index for the week or month, as applicable, preceding such CMT Rate Interest Determination Date as published in H.15(519) opposite the caption “Treasury constant maturities,” or

- (c) if the rate referred to in clause (b) does not so appear in H.15(519), the one week or one month, as applicable, average yield for United States Treasury securities at “constant maturity” having the particular Designated CMT Maturity Index as otherwise announced by the Federal Reserve Bank of New York for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which such CMT Rate Interest Determination Date falls, or
- (d) if the rate referred to in clause (c) is not so published, the rate on the particular CMT Rate Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 P.M., New York City time, on that CMT Rate Interest Determination Date of three Reference Dealers selected by the Calculation Agent from five Reference Dealers selected by the Calculation Agent and eliminating the highest quotation, or, in the event of equality, one of the highest, and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity equal to the particular Designated CMT Maturity Index, a remaining term to maturity no more than one year shorter than that Designated CMT Maturity Index and in a principal amount that is representative for a single transaction in such securities in that market at that time, or
- (e) if fewer than five but more than two of the prices referred to in clause (d) are provided as requested, the rate on the particular CMT Rate Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations shall be eliminated, or
- (f) if fewer than three prices referred to in clause (d) are provided as requested, the rate on the particular CMT Rate Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices as approximately 3:30 P.M., New York City time, on that CMT Rate Interest Determination Date of three

Reference Dealers selected by the Calculation Agent from five Reference Dealers selected by the Calculation Agent and eliminating the highest quotation or, in the event of equality, one of the highest and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity greater than the particular Designated CMT Maturity Index, a remaining term to maturity closest to that Designated CMT Maturity Index and in a principal amount that is representative for a single transaction in the securities in that market at the time, or

- (g) if fewer than five but more than two prices referred to in clause (f) are provided as requested, the rate on the particular CMT Rate Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest or the lowest of the quotations will be eliminated, or
- (h) if fewer than three prices referred to in clause (f) are provided as requested, the CMT Rate in effect on that CMT Rate Interest Determination Date, or
- (i) if two such United States Treasury securities with an original maturity greater than the Designated CMT Maturity Index have remaining terms to maturity equally close to such Designated CMT Maturity Index, the quotes for the United States Treasury security with the shorter original term to maturity will be used.

“**Designated CMT Maturity Index**” means the original period to maturity of the US Treasury securities (either 1, 2, 3, 5, 7, 10, 20 or 30 years) specified in the Pricing Term Sheet or Final Terms, as the case may be, with respect to which the CMT Rate will be calculated.

(3) *Commercial Paper Rate*

If the “Commercial Paper Rate” is specified in the applicable Pricing Term Sheet and/or Final Terms, this Note will bear interest at the rates (calculated with reference to the Commercial Paper Rate and the Spread and/or Spread Multiplier, if any) specified in the applicable Pricing Term Sheet and/or Final Terms.

Unless otherwise specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, “**Commercial Paper Rate**” means, with respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined with reference to the Commercial Paper Rate (a “Commercial Paper Rate Interest Determination Date”), the Money Market Yield (as defined below) on



such date of the rate for commercial paper having the Index Maturity specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, as published in H.15(519) opposite the caption “Commercial Paper—Nonfinancial” or, if not so published by 3:00 P.M., New York City time, on the related Calculation Date, the Money Market Yield on such Commercial Paper Rate Interest Determination Date for commercial paper having the Index Maturity specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption “Commercial Paper—Nonfinancial”. If such rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on such Calculation Date, then the Commercial Paper Rate on such Commercial Paper Rate Interest Determination Date will be calculated by the Calculation Agent and will be the Money Market Yield of the arithmetic mean of the offered rates at approximately 11:00 A.M., New York City time, on such Commercial Paper Rate Interest Determination Date of three leading dealers of US dollar commercial paper in New York City (which may include the Agents or their affiliates) selected by the Calculation Agent for commercial paper having the Index Maturity specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, placed for industrial issuers whose bond rating is “Aa”, or the equivalent, from a nationally recognized statistical rating organization; provided, however, that if the dealers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Commercial Paper Rate determined as of such Commercial Paper Rate Interest Determination Date will be the Commercial Paper Rate in effect on such Commercial Paper Rate Interest Determination Date.

“Money Market Yield” means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where “D” refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and “M” refers to the actual number of days in the applicable Interest Reset Period.

(4) *Eleventh District Cost of Funds Rate*

If the “Eleventh District Cost of Funds Rate” is specified in the applicable Pricing Term Sheet and/or Final Terms, this Note will bear interest at the rates (calculated with reference to the Eleventh District Cost of Funds Rate and the Spread and/or Spread Multiplier, if any) specified in the applicable Pricing Term Sheet and/or Final Terms.

Unless otherwise specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, “**Eleventh District Cost of Funds Rate**” means, with respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined with reference to the Eleventh District Cost of Funds Rate (an “Eleventh District Cost of Funds Rate Interest Determination Date”), the rate equal to the monthly weighted average cost of funds for the calendar month immediately preceding the month in which such Eleventh District Cost of Funds Rate Interest Determination Date falls as set forth opposite the caption “11TH Dist COFI” on the display on Reuters (or any successor service) on page “COFI/ARMS” (or any other page as may replace such page on such service) (“**Reuters Page COFI/ARMS**”) as of 11:00 A.M., San Francisco time, on such Eleventh District Cost of Funds Rate Interest Determination Date. If such rate does not appear on the Reuters Page COFI/ARMS on such Eleventh District Cost of Funds Rate Interest Determination Date, then the Eleventh District Cost of Funds Rate on such Eleventh District Cost of Funds Rate Interest Determination Date shall be the monthly weighted average cost of funds paid by member institutions of the Eleventh Federal Home Loan Bank District that was most recently announced (the “**Index**”) by the Federal Home Loan Bank (“**FHLB**”) of San Francisco as such cost of funds for the calendar month immediately preceding such Eleventh District Cost of Funds Rate Interest Determination Date. If the FHLB of San Francisco fails to announce the Index on or prior to such Eleventh District Cost of Funds Rate Interest Determination Date for the calendar month immediately preceding such Eleventh District Cost of Funds Rate Interest Determination Date, the Eleventh District Cost of Funds Rate determined as of such Eleventh District Cost of Funds Rate Interest Determination Date will be the Eleventh District Cost of Funds Rate in effect on such Eleventh District Cost of Funds Rate Interest Determination Date.

(5) *EURIBOR*

If “EURIBOR” is specified in the applicable Pricing Term Sheet and/or Final Terms, this Note will bear interest at the rates (calculated with reference to EURIBOR and the Spread and/or Spread Multiplier, if any) specified in the applicable Pricing Term Sheet and/or Final Terms.

Unless otherwise specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, “**EURIBOR**” means the rate determined in accordance with the following provisions:

- (i) With respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined with reference to EURIBOR (a “**EURIBOR Interest Determination Date**”), EURIBOR will be the rate for deposits in Euro as sponsored, calculated and published jointly by the European Banking Federation and ACI The Financial Market Association, or any company established by the joint sponsors for purposes of compiling and publishing those rates, having the Index Maturity

as specified in such Pricing Term Sheet or Final Terms, as the case may be, commencing on the applicable Interest Reset Date, that appears on Reuters on page EURIBOR01 (or any other page as may replace such page on such service) (“**Reuters Page EURIBOR01**”) as of 11:00 A.M., Brussels time, on such EURIBOR Interest Determination Date; or if no such rate so appears, EURIBOR on such EURIBOR Interest Determination Date will be determined in accordance with the provisions described in clause (ii) below.

- (ii) With respect to a EURIBOR Interest Determination Date on which no rate appears on the Reuters Page EURIBOR01 as specified in Clause (i) above, the Calculation Agent will request the principal Euro zone office of each of four major reference banks (which may include the Agents or their affiliates) in the Euro zone interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in Euro for the period of the Index Maturity specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, commencing on the applicable Interest Reset Date, to prime banks in the Euro zone interbank market at approximately 11:00 A.M., Brussels time, on such EURIBOR Interest Determination Date and in a principal amount not less than the equivalent of US\$1,000,000 in euros that is representative for a single transaction in Euro in such market at such time. If at least two such quotations are so provided, then EURIBOR on such EURIBOR Interest Determination Date will be the arithmetic mean of such quotations.
- (iii) If fewer than two such quotations are so provided, then EURIBOR on such EURIBOR Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., Brussels time, on such EURIBOR Interest Determination Date by four major banks (which may include the Agents or their affiliates) in the Euro zone selected by the Calculation Agent for loans in Euro to leading European banks, having the Index Maturity specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, commencing on that Interest Reset Date and in a principal amount not less than the equivalent of US\$1,000,000 in euros that is representative for a single transaction in Euro in such market at such time.
- (iv) If the banks so selected by the Calculation Agent are not quoting as mentioned in the preceding sentence, EURIBOR determined as of such EURIBOR Interest Determination Date will be EURIBOR in effect on such EURIBOR Interest Determination Date.

“**Euro zone**” means the region comprised of member states of the European Union that have adopted the single currency in accordance with the Treaty on European Union signed at Maastricht on February 7, 1992.

(6) *Federal Funds Rate*

If “Federal Funds Rate” is specified in the applicable Pricing Term Sheet and/or Final Terms, this Note will bear interest at the rates (calculated with reference to the Federal Funds Rate and the Spread and/or Spread Multiplier, if any) specified in the applicable Pricing Term Sheet and/or Final Terms.

Unless otherwise specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, “**Federal Funds Rate**” means, with respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined with reference to the Federal Funds Rate (a “Federal Funds Rate Interest Determination Date”),

- (i) if “Federal Funds (Effective) Rate” is the specified Federal Funds Rate in the applicable Pricing Term Sheet or Final Terms, as the case may be, the Federal Funds Rate as of the Federal Funds Rate Interest Determination Date shall be the rate with respect to such date for US dollar federal funds as published in H.15(519) opposite the heading “Federal funds (effective)” and that appears on Reuters on page FEDFUNDS1 (or any other page as may replace such page on such service) (“**Reuters Page FEDFUNDS1**”) under the heading “EFFECT” or, if such rate is not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate with respect to such Federal Funds Rate Interest Determination Date for US dollar federal funds as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, opposite the caption “Federal funds (effective)”. If such rate does not appear on Reuters Page FEDFUNDS 1 or is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the related Calculation Date, then the Federal Funds Rate with respect to such Federal Funds Rate Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight US dollar federal funds arranged by three leading brokers of US dollar federal funds transactions in New York City (which may include the Agents or their affiliates) selected by the Calculation Agent prior to 9:00 A.M., New York City time, on the Business Day following such Federal Funds Rate Interest Determination Date; provided, however, that if the brokers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate determined as of such Federal Funds Rate Interest Determination Date will be the Federal Funds Rate

in effect on such Federal Funds Rate Interest Determination Date;

- (ii) if “Federal Funds Open Rate” is the specified Federal Funds Rate in the applicable Pricing Term Sheet or Final Terms, as the case may be, the Federal Funds Rate as of the applicable Federal Funds Rate Interest Determination Date shall be the rate on such date under the heading “Federal Funds” for the relevant Index Maturity and opposite the caption “Open” as such rate is displayed on Reuters on page 5 (or any other page as may replace such page on such service) (“**Reuters Page 5**”), or, if such rate does not appear on Reuters Page 5 by 3:00 P.M., New York City time, on the Calculation Date, the Federal Funds Rate for the Federal Funds Rate Interest Determination Date will be the rate for that day displayed on the FFPREBON Index page on Bloomberg L.P. (“**Bloomberg**”), which is the Fed Funds Opening Rate as reported by Prebon Yamane (or a successor) on Bloomberg. If such rate does not appear on Reuters Page 5 or is not displayed on the FFPREBON Index page on Bloomberg or another recognized electronic source by 3:00 P.M., New York City time, on the related Calculation Date, then the Federal Funds Rate on such Federal Funds Rate Interest Determination Date shall be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight US Dollar federal funds arranged by three leading brokers of US Dollar federal funds transactions in New York City (which may include the Agents or their affiliates) selected by the Calculation Agent prior to 9:00 A.M., New York City time, on such Federal Funds Rate Interest Determination Date; provided, however, that if the brokers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate determined as of such Federal Funds Rate Interest Determination Date will be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date;
- (iii) if “Federal Funds Target Rate” is the specified Federal Funds Rate in the applicable Pricing Term Sheet or Final Terms, as the case may be, the Federal Funds Rate as of the applicable Federal Funds Rate Interest Determination Date shall be the rate on such date as displayed on the FDTR Index page on Bloomberg. If such rate does not appear on the FDTR Index page on Bloomberg by 3:00 P.M., New York City time, on the Calculation Date, the Federal Funds Rate for such Federal Funds Rate Interest Determination Date will be the rate for that day appearing on Reuters on page USFFTARGET= (or any other page as may replace such page on such service) (“**Reuters Page USFFTARGET=**”). If such rate does not appear on the FDTR Index page on Bloomberg or is not displayed on Reuters Page USFFTARGET= by 3:00 P.M., New York City time, on the

related Calculation Date, then the Federal Funds Rate on such Federal Funds Rate Interest Determination Date shall be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight US Dollar federal funds arranged by three leading brokers of US Dollar federal funds transactions in New York City (which may include the Agents or their affiliates) selected by the Calculation Agent prior to 9:00 A.M., New York City time, on such Federal Funds Rate Interest Determination Date; provided, however, that if the brokers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate determined as of such Federal Funds Rate Interest Determination Date will be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date.

(7) *LIBOR*

If “LIBOR” is specified in the applicable Pricing Term Sheet and/or Final Terms, this Note will bear interest at the rates (calculated with reference to LIBOR and the Spread and/or Spread Multiplier, if any) specified in the applicable Pricing Term Sheet and/or Final Terms.

Unless otherwise specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, “**LIBOR**” means the rate determined in accordance with the following provisions:

- (i) With respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined with reference to LIBOR (a “**LIBOR Interest Determination Date**”), LIBOR will be the rate for deposits in the Designated LIBOR Currency for a period of the Index Maturity specified in such Pricing Term Sheet or Final Terms, as the case may be, commencing on the applicable Interest Reset Date, that appears on the Designated LIBOR Page (as defined below) as of 11:00 A.M., London time, on such LIBOR Interest Determination Date, or if no such rate so appears, LIBOR on such LIBOR Interest Determination Date will be determined in accordance with the provisions described in clause (ii) below.
- (ii) With respect to a LIBOR Interest Determination Date on which no rate appears on the Designated LIBOR Page as specified in clause (i) above, the Calculation Agent will request the principal London offices of each of four major reference banks (which may include the Agents or their affiliates) in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in the Designated LIBOR Currency for the period of the Index Maturity specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, commencing on the applicable Interest Reset Date, to prime banks in the London interbank

market at approximately 11:00 A.M., London time, on such LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in the Designated LIBOR Currency in such market at such time. If at least two such quotations are so provided, then LIBOR on such LIBOR Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, then LIBOR on such LIBOR Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., in the applicable Principal Financial Center, on such LIBOR Interest Determination Date by three major banks (which may include the Agents or their affiliates) in such Principal Financial Center selected by the Calculation Agent for loans in the Designated LIBOR Currency to leading European banks, having the Index Maturity specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, commencing on the related Interest Reset Date and in a principal amount that is representative for a single transaction in the Designated LIBOR Currency in such market at such time; provided, however, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR determined as of such LIBOR Interest Determination Date will be LIBOR in effect on such LIBOR Interest Determination Date.

**“Designated LIBOR Currency”** means the currency specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, as to which LIBOR shall be calculated or, if no such currency is specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, US dollars.

**“Designated LIBOR Page”** means the display on Reuters on page LIBOR01 or LIBOR02, as specified in the applicable Pricing Term Sheet or Final Terms (or any other page as may replace such page on such service), for the purpose of displaying the London interbank rates of major banks (which may include affiliates of the Distribution Agents) for the Designated LIBOR Currency.

**“Principal Financial Center”** means (i) the capital city of the country issuing the Specified Currency, or (ii) the capital city of the country to which the Designated LIBOR Currency, if applicable, relates, except, in each case, that with respect to US Dollars, Australian Dollars, Canadian Dollars, Euro, New Zealand Dollars, South African Rand and Swiss Francs, the “Principal Financial Center” shall be The City of New York, Sydney, Toronto, The City of London (solely in the case of the Designated LIBOR Currency), Wellington, Johannesburg and Zurich, respectively.

(8) *Prime Rate*

If “Prime Rate” is specified in the applicable Pricing Term Sheet and/or Final Terms, this Note will bear interest at the rates (calculated with reference to the Prime Rate and the Spread and/or Spread Multiplier, if any) specified in the applicable Pricing Term Sheet and/or Final Terms.

Unless otherwise specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, “**Prime Rate**” means, with respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined with reference to the Prime Rate (a “Prime Rate Interest Determination Date”), the rate on such date as such rate is published in H.15(519) opposite the caption “Bank prime loan” or, if not published prior to 3:00 P.M., New York City time, on the related Calculation Date, the rate on such Prime Rate Interest Determination Date as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, opposite the caption “Bank Prime Loan”. If such rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the related Calculation Date, then the Prime Rate shall be the arithmetic mean, as determined by the Calculation Agent, of the rates of interest publicly announced by each bank that appears on Reuters on page USPRIME1 (or any other page as may replace such page on such service for the purpose of displaying prime rates or base lending rates of major United States banks (“**Reuters Page USPRIME1**”)) as such bank’s prime rate or base lending rate as of 11:00 A.M., New York City time, on such Prime Rate Interest Determination Date. If fewer than four such rates so appear on Reuters Page USPRIME1 for such Prime Rate Interest Determination Date by 3:00 P.M., New York City time on the related Calculation Date, then the Prime Rate shall be the arithmetic mean calculated by the Calculation Agent of the prime rates or base lending rates quoted on the basis of the actual number of days in the year divided by a 360 day year as of the close of business on such Prime Rate Interest Determination Date by three major banks (which may include the Agents or their affiliates) in New York City selected by the Calculation Agent; provided, however, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Prime Rate determined as of such Prime Rate Interest Determination Date will be the Prime Rate in effect on such Prime Rate Interest Determination Date or, if no Prime Rate was in effect on such Prime Rate Interest Determination Date, the rate on such Floating Rate Note for the following Interest Reset Period shall be the Initial Interest Rate.

(9) *Treasury Rate*

If “Treasury Rate” is specified in the applicable Pricing Term Sheet and/or Final Terms, this Note will bear interest at the rates (calculated with reference to the Treasury Rate and the Spread and/or Spread Multiplier, if any) specified in the applicable Pricing Term Sheet and/or Final Terms.



Unless otherwise specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, “**Treasury Rate**” means, with respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined by reference to the Treasury Rate (a “**Treasury Rate Interest Determination Date**”), the rate from the auction held on such Treasury Rate Interest Determination Date (the “Auction”) of direct obligations of the United States (“Treasury Bills”) having the Index Maturity specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, under the caption “INVEST RATE” on the display on Reuters or any successor service on page USAUCTION 10 (or any other page as may replace such page on such service) (“**Reuters Page USAUCTION 10**”) or page USAUCTION 11 (or any other page as may replace such page on such service) (“**Reuters Page USAUCTION 11**”) or, if not so published by 3:00 P.M., New York City time, on the related Calculation Date, the Bond Equivalent Yield (as defined below) of the auction rate of such Treasury Bills as announced by the US Department of the Treasury. In the event that the auction rate of Treasury Bills having the Index Maturity specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, is not so announced by the US Department of the Treasury, or if no such Auction is held, then the Treasury Rate will be the Bond Equivalent Yield of the rate on such Treasury Rate Interest Determination Date of Treasury Bills having the Index Maturity specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, as published in H.15(519) opposite the caption “US government securities/Treasury bills/secondary market” or, if not yet published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on such Treasury Rate Interest Determination Date of such Treasury Bills as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption “US government securities/Treasury bills/secondary market”. If such rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the related Calculation Date, then the Treasury Rate will be calculated by the Calculation Agent and will be the Bond Equivalent Yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on such Treasury Rate Interest Determination Date, of three leading primary US government securities dealers (which may include the Agents or their affiliates) selected by the Calculation Agent, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity specified in the applicable Pricing Term Sheet or Final Terms, as the case may be; provided, however, that if the dealers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate determined as of such Treasury Rate Interest Determination Date will be the Treasury Rate in effect on such Treasury Rate Interest Determination Date.

“**Bond Equivalent Yield**” means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Bond Equivalent Yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where “D” refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis, “N” refers to 365 or 366, as the case may be, and “M” refers to the actual number of days in the applicable Interest Reset Period.

(iii) Minimum and/or Maximum Rate of Interest

If the applicable Pricing Term Sheet or Final Terms specifies a Minimum Rate of Interest for any Interest Period, then the Rate of Interest for such Interest Period shall in no event be less than such Minimum Rate of Interest and/or if it specifies a Maximum Rate of Interest for any Interest Period, then the Rate of Interest for such Interest Period shall in no event be greater than such Maximum Rate of Interest.

Unless otherwise stated in the applicable Final Terms and/or Pricing Term Sheet, the Minimum Rate of Interest shall be deemed to be zero.

(iv) Determination of Rate of Interest and Calculation of Interest Amounts

The Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent will calculate the amount of interest (the “**Interest Amount**”) payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to in the case of Floating Rate Notes or Index Linked Interest Notes, the aggregate outstanding nominal amount of the Notes represented by such Global Certificate and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 5(b):

- (a) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

- (b) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period in respect of which payment is being made divided by 365;
- (c) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period in respect of which payment is being made divided by 360;
- (d) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day} = \frac{\text{Count} \times \text{Fraction}}{360} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (e) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day} = \frac{\text{Count} \times \text{Fraction}}{360} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (f) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\frac{\text{Day Count Fraction}}{360} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

(v) Notification of Rate of Interest and Interest Amount

The Fiscal Agent or, if applicable, the Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 12 as soon as possible after their determination but in no event later than the fourth Amsterdam Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 12. For the purposes of this paragraph, the expression “**Amsterdam Business Day**” means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in Amsterdam.

(vi) Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this paragraph (b), whether by the Fiscal Agent or, if applicable, the Calculation Agent, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, the Fiscal Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders and (in the absence as aforesaid) no liability to the Issuer or the Noteholders shall attach to the Fiscal Agent or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**(c) Interest on Dual Currency Notes and Foreign Currency Notes**

In the case of Dual Currency Notes or Foreign Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the applicable Pricing Term Sheet or Final Terms.

**(d) *Accrual of Interest***

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (1) the date on which all amounts due in respect of such Note have been paid; and
- (2) five days after the date on which the full amount of the moneys payable has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 12 or individually.

**6. Payments**

**(a) Principal, Interest and Record Date**

Payment of the principal of and any premium or interest on Notes, other than Dual Currency Notes or Foreign Currency Notes with respect to which a Specified Currency payment election has been made, will be made to the registered holders thereof at the office of the US Paying Agent or, if applicable, the European Paying Agent, or such other office or agency of the Issuer maintained by it for that purpose in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of the principal of and any premium and interest on such Notes due at Maturity will be made to the registered holders thereof in immediately available funds at such office or such other offices or agencies if such Notes are presented to the applicable Paying Agent or any other paying agent in time for the applicable Paying Agent or such other paying agent to make such payments in accordance with its normal procedures; and, provided, further, that at the option of the Issuer, payment of interest, other than interest payable at Maturity, may be made by check mailed to the address of the person entitled thereto as such address shall appear in the Register unless that address is in the Issuer's country of incorporation or, if different, country of tax residence; and, provided, further, that notwithstanding the foregoing a registered holder of US\$5,000,000 or more in aggregate principal amount of such Notes having the same Interest Payment Date will be entitled to receive payments of interest, other than interest due at Maturity, by wire transfer of immediately available funds to an account at a bank located in The City of New York (or other location consented to by such Issuer) if appropriate wire transfer instructions have been received by the applicable Paying Agent or any other paying agent in writing not less than 15 calendar days prior to the applicable Interest Payment Date.

Unless otherwise specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, payments of principal of and any premium and interest on Dual Currency Notes or Foreign Currency Notes will be made in US dollars unless the holder thereof elects to receive such payments in the Specified Currency as described below.

Any US dollar amount to be received by a holder of a Dual Currency Note or Foreign Currency Note will be based on the highest bid quotation in The City of New York received by the Exchange Rate Agent at approximately 11:00 A.M., New York City time, on the second Business Day with respect to such Note preceding the applicable payment date from three recognized foreign exchange dealers (one of which may be the Exchange Rate Agent) for the purchase by the

quoting dealer of the Specified Currency for US dollars for settlement on such payment date in the aggregate amount of the Specified Currency payable to all holders of Dual Currency Notes or Foreign Currency Notes scheduled to receive US dollar payments and at which the applicable dealer commits to execute a contract. If such bid quotations are not available, payments will be made in the Specified Currency. All currency exchange costs will be borne by the holder of the Dual Currency Note or Foreign Currency Notes by deductions from such payments.

Unless otherwise specified in the applicable Pricing Term Sheet or Final Terms, as the case may be, a holder of a Dual Currency Note or Foreign Currency Notes may elect to receive payment of the principal of and any premium and interest on such Note in the Specified Currency by transmitting a written request for such payment to the applicable Paying Agent on or prior to the relevant Record Date or at least sixteen days prior to Maturity, as the case may be. Such request, which must include the wire transfer instructions referred to below, may be in writing (mailed or hand delivered) or by cable, telex or other form of facsimile transmission. A holder of a Dual Currency Note or Foreign Currency Note may elect to receive payment in the Specified Currency for all principal and any premium and interest payments and need not file a separate election for each payment. All costs associated with such currency exchange will be paid by the holder. Such election will remain in effect until revoked by written notice to the applicable Paying Agent, but written notice of any such revocation must be received by the applicable Paying Agent on or prior to the relevant Record Date or at least sixteen days prior to Maturity, as the case may be.

The payment of principal of and any premium or interest on Dual Currency Notes or Foreign Currency Notes paid in the Specified Currency other than at Maturity will be made by check drawn upon a bank office located outside the United States, and any such payments due at Maturity will be made by wire transfer of immediately available funds to an account maintained by the Holder with a bank office located in the country which issued the Specified Currency upon presentation of such Notes to the applicable Paying Agent or any other paying agent in time for such wire transfer to be made by the applicable Paying Agent or such other paying agent in accordance with its normal procedures.

If a Specified Currency is not available for the payment of principal or any premium or interest with respect to a Dual Currency Note or Foreign Currency Note due to the imposition of exchange controls or other circumstances beyond the control of the Issuer, the Issuer will be entitled to satisfy its obligations to holders of Dual Currency Notes or Foreign Currency Notes by making such payment in US dollars on the basis of the market exchange rate on the second Market Day prior to the date of such payment, or if such market exchange rate is not then available, on the basis of the most recently available market exchange rate.

Each payment in respect of a Registered Note in definitive form will be made to the person shown as the Registered Holder in the Register at the opening of business in the place of the Registrar's specified office on the fifteenth day before the due date for such payment (in respect of such Notes, the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Registered Holder in the Register at the opening of business on the relevant Record Date. Each payment in respect of a Registered Note in global form will be made to the person shown as the Registered Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (in respect of such Notes, the "**Record Date**"), where "**Clearing System Business Day**" means a day on which each clearing system for which the Relevant Global Certificate is being held is open for business.

**(b) Payment Day**

If the date for payment of any amount in respect of any Note is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes (unless otherwise specified in the applicable Pricing Term Sheet or Final Terms), “**Payment Day**” means any day which (subject to Condition 6) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) the relevant place of presentation;
  - (B) any Additional Business Center specified in the applicable Final Terms and/or Pricing Term Sheet; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (if other than the place of presentation and any Financial Center and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in Euro, a day on which the TARGET2 System is open.

**(c) Interpretation of Principal and Interest**

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 7;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (vi) in relation to Zero Coupon Notes, the Amortized Face Amount (as defined below); and
- (vii) any premium and any other amounts (other than accrued interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7.



## **7. Redemption and Purchase**

### **(a) Redemption at Maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount (together with any accrued interest) specified in, or determined in the manner specified in, the applicable Pricing Term Sheet and/or Final Terms in the relevant Specified Currency on the Maturity Date.

### **(b) Redemption for Tax Reasons**

Unless otherwise specified in the applicable Pricing Term Sheet or Final Terms, Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (in the case of Notes other than Floating Rate Notes, Index Linked Interest Notes or Dual Currency Interest Notes) or on any Interest Payment Date (in the case of Floating Rate Notes, Index Linked Interest Notes or Dual Currency Interest Notes), on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (which notice shall be irrevocable) if, on the occasion of the next payment due under the Notes, the Issuer has or will become obliged by requirement of law to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of The Netherlands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes provided, however, that (1) no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts in respect of the Notes were a payment in respect of the Notes then due (2) at the time such notice of redemption is given, such obligation to pay such additional amounts remains in effect and (3) any election by the Issuer to make any withholding pursuant to Condition 8(a) shall not prevent the Issuer from giving such notice.

Each Note redeemed pursuant to this Condition 7(b) will be redeemed at its Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

### **(c) Redemption at the Option of the Issuer (Issuer Call)**

If Issuer Call is specified in the applicable Pricing Term Sheet or Final Terms, the Issuer may, subject as provided in paragraph (e) below and having given:

- (i) not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 12; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Fiscal Agent, both of which notices shall be irrevocable),

redeem all or some only of the Notes then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms and/or Pricing Term Sheet together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s).

All notices of redemption shall identify the Notes to be redeemed (including CUSIP, Common Code and ISIN numbers), the date fixed for redemption, the redemption price, the manner in which redemption will be effected and, in the case of a partial redemption, the serial numbers (and principal amounts) of the Notes to be redeemed.

Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not higher than the Maximum Redemption Amount, both as indicated (if at all) in the applicable Pricing Term Sheet or Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (“**Redeemed Notes**”) will be selected individually by lot, in the case of Redeemed Notes represented by Definitive Notes, and in accordance with the rules of DTC or, if applicable, Euroclear, Clearstream, Luxembourg and/or Euroclear Netherlands (to be reflected in the records of DTC or Euroclear and Clearstream, Luxembourg (as applicable) as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a Global Certificate, not more than 60 days prior to the date fixed for redemption (such date of selection being hereinafter called the “**Selection Date**”). In the case of Redeemed Notes represented by Definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 12 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Certificate will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this sub-paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 12 at least 5 days prior to the Selection Date.

If Notes are to be redeemed in part only on any date in accordance with this paragraph (c), then:

- (i) if the Notes are admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, each Registered Note shall be redeemed in part in compliance with the requirements of the listing authority, stock exchange and/or quotation system on or by which the Registered Notes are so admitted to listing, trading and/or quotation; or
- (ii) if the Notes are not admitted to listing trading and/or quotation on any listing authority, stock exchange and/or quotation system or if the relevant listing authority, stock exchange and/or quotation system has no requirement in that regard each Note shall be redeemed in part in the proportion which the aggregate nominal amount of the outstanding Notes to be redeemed on the date fixed for such redemption bears to the aggregate nominal amount of outstanding Notes on such date.

**(d) *Redemption of Notes at the Option of the Noteholders (Investor Put)***

If Investor Put is specified in the applicable Pricing Term Sheet or Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 12 not less than 15 nor more than 30 days’ notice or such other period of notice as is specified in the applicable Final Terms (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Term Sheet and/or Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Pricing Term Sheet and/or Final Terms.

To exercise the right to require redemption of this Note its holder must, if this Note is in definitive form and held outside DTC or, if applicable, Euroclear and Clearstream, Luxembourg, deliver at the specified office of the Registrar at any time during normal business hours of such Registrar falling within the notice period, a duly signed and completed Exercise Notice in the form (for the time being current) obtainable from any specified office of the Registrar (a “**Put Notice**”).

If this Note is represented by a Global Certificate or is in definitive form and held through DTC or, if applicable, Euroclear or Clearstream, Luxembourg to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Registrar of such exercise in accordance with the standard procedures of DTC or, if applicable, Euroclear and Clearstream, Luxembourg in a form acceptable to DTC, or if applicable, Euroclear and Clearstream, Luxembourg.

**(e) Redemption for regulatory purposes of Tier 2 Notes**

The applicable Final Terms in respect of Subordinated Notes which qualify as tier 2 capital (“**Tier 2 Notes**”) will indicate whether such Notes will be redeemable at the option of the Issuer at the amount and on the date(s) specified in the applicable Final Terms with the prior consent of the Dutch Central Bank (“**De Nederlandsche Bank N.V.**”) and upon giving not less than 30 nor more than 60 days’ irrevocable notice, in the event that De Nederlandsche Bank N.V. has issued rules or regulations as a result of which the whole or at least the minimum percentage of the outstanding nominal amount of the Notes as specified in the applicable Final Terms, ceases, or will cease, to qualify as Tier 2 capital of the Issuer for the purposes of the regulatory capital requirements to which it is subject (other than in accordance with the rules or regulations of De Nederlandsche Bank N.V. in force on the issue date of the relevant Notes) or has otherwise determined that the whole or at least the minimum percentage of the outstanding nominal amount of the Notes as specified in the applicable Final Terms, ceases, or will cease, to qualify as Tier 2 capital of the Issuer for the purposes of such regulatory capital requirements (other than in accordance with the rules or regulations of De Nederlandsche Bank N.V. in force on the issue date of the relevant Notes). The applicable Final Terms may provide that Notes may be repayable in two or more installments of such amounts and on such dates as indicated in it.

**(f) Early Redemption Amounts**

For the purpose of paragraphs (b), (c), (d), and (e) above and Condition 9, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- (ii) in the case of a Zero Coupon Note, at an amount (the “**Amortized Face Amount**”) equal to the product of:
  - (A) the Reference Price; and
  - (B) the sum of the figure 1 and the Accrual Yield, raised to the power of x, where “x” is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the

date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360, or on such other calculation basis as may be specified in the Pricing Term Sheet or applicable Final Terms and/or Pricing Term Sheet; and

- (iii) in any other case, at the amount specified in, or determined in the manner specified in, the applicable Pricing Term Sheet and/or Final Terms or, if no such amount or manner is so specified in the Pricing Term Sheet and/or Final Terms, at their nominal amount.

Redemption of Subordinated Notes pursuant to paragraph (b), (c), (d), and (e) above may only be effected after the Issuer has obtained the written consent of DNB and, where applicable, the European Commission.

**(g) Purchases**

The Issuer or any of its subsidiaries may at any time purchase Notes at any price in the open market or otherwise. Such Notes may be held, re-issued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

**(h) Cancellation**

All Notes which are redeemed will forthwith be cancelled. All Notes so cancelled and the Notes purchased and cancelled pursuant to paragraph (g) above shall be forwarded to the Agent and cannot be re-issued or resold.

**(i) Late Payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c), (d) or (e) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (f)(ii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable has been received by the Fiscal Agent and notice to that effect has been given to the Noteholders, in accordance with Condition 12.

**8. Taxation**

All payments of principal and interest in respect of the Notes by the Issuer will be made free and clear and without withholding or deduction for or on account of any present or future taxes or duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of The Netherlands or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer

will, depending on which provision is specified in the applicable Pricing Term Sheet or Final Terms, either:

- (a) make the required withholding or deduction of such taxes, duties, assessments or governmental charges for the account of the holders of the Notes and shall not pay any additional amounts to the holders of the Notes; or
- (b) pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note:
  - (i) presented for payment by or on behalf of a Noteholder who is liable for such taxes or duties in respect of such Note by reason of his having some connection with The Netherlands other than the mere holding of such Note, or the receipt of principal or interest in respect thereof; or
  - (ii) presented for payment by or on behalf of a Noteholder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
  - (iii) presented for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by presenting the relevant Note, to another Paying Agent in a Member State of the European Union; or
  - (iv) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6(b)); or
  - (v) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

As used herein, the “Relevant Date” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 12.

## **9 Events of Default**

If (in the case of an issue of Senior Notes) any one or more of the following events or (in the case of an issue of Subordinated Notes, either or both of the events specified in (iv) and (v) (each an “Event of Default”) shall have occurred and be continuing:

- (i) default in the payment of principal when due unless otherwise specified in the Final Terms and/or Pricing Term Sheet; or

- (ii) default is made for more than 30 days in the payment of interest in respect of the Notes of the relevant series; or
- (iii) the Issuer fails to perform or observe or comply with any of its other obligations under the Notes and such failure has continued for the period of 60 days next following the service on the Issuer of notice requiring the same to be remedied; or
- (iv) the Issuer is declared bankrupt, or a declaration in respect of the Issuer is made under article 3:163(1)(b) of the Wft; or
- (v) an order is made or an effective resolution is passed for the winding up or liquidation of the Issuer unless this is done in connection with a merger, consolidation or other form of combination with another company and such company assumes all obligations contracted by the Issuer in connection with the Notes,

then any Noteholder may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Fiscal Agent, declare the Note held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount (as described in Condition 7(f)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind provided that repayment of Subordinated Notes under this Condition will only be effected after the Issuer has obtained prior written consent of DNB

#### **10. Replacement of Notes**

Should any Note be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

#### **11. Agent and Paying Agents**

The names of the initial Fiscal Agent and the other initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (i) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent and a Registrar with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange;
- (ii) there will at all times be a Paying Agent with a specified office in a city in continental Europe;
- (iii) there will at all times be a Fiscal Agent and a Registrar; and

- (iv) save to the extent satisfied by (i) above or (ii) above, there will at all times be a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 6(a). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 12.

## **12. Notices**

Notices shall be given in accordance with any applicable rule or regulation or decree by a governmental body and the rules and customary procedures of the Stock Exchange or applicable clearing system and need not be given by mail unless required by the rules of the Stock Exchange or applicable clearing system.

Notices given by any Registered Holder shall be in writing and given by lodging the same with the Registrar at its specified office.

## **13. Amendment and Waiver**

The Amended and Restated Agency Agreement contains provisions for sanctioning by Noteholder consent of a modification of the Notes or certain provisions of the Amended and Restated Agency Agreement. The Agent and the Issuer may agree, without the consent of the Noteholders, to:

- (a) any modification of the Amended and Restated Agency Agreement which is in the Issuer's opinion not materially prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes or the Amended and Restated Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory and/or overriding provisions of the law of the jurisdiction in which the Issuer is incorporated.

Any other amendment of the Securities of this Agreement may be made only with the consent of the Holders. The Issuer and the Fiscal Agent, if applicable, may amend the Securities or this Agreement with the written consent of the Holders of at least a majority in principal amount of the Securities then outstanding voting as a single class (including consent obtained in connection with a tender offer or exchange of the Securities); provided however that without the consent of 100% of the then outstanding aggregate principal amount of the Securities, no amendment may:

- (a) Reduce the amount of Securities whose holders must consent to an amendment;
- (b) Reduce the rate of or extend the time for payment of interest on any Security;
- (c) Reduce the principal or extend the Stated Maturity Date of any Security;

- (d) Reduce the premium or amount payable upon the redemption of any Security or change the time at which any Security may be redeemed in accordance with its terms;
- (e) Make any Security payable in currency other than that stated in such Security;
- (f) Expressly subordinate any Security to any other indebtedness of the Issuer save as permitted in accordance with its terms.
- (g) Impair the right of any Holder to receive payment of principal, premium, if any, and interest on such Holder's Securities on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder's Securities;
- (h) Make any amendment to the Events of Default as described in the Conditions;

Any such modification shall be binding on the Noteholders and any such modification shall be notified to the Noteholders in accordance with Condition 12 as soon as practicable thereafter.

#### **14. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

#### **15. Substitution of the Issuer**

- (a) The Issuer may, with the consent of the Noteholders which will be deemed to have been given in respect of each Tranche of Notes on which no payment of principal or interest on any of the Notes is in default and after written approval of DNB (such approval being necessary in respect of any Subordinated Notes only), be replaced and substituted by any directly or indirectly wholly owned subsidiary of the Issuer (the "**Substituted Debtor**") as principal debtor in respect of the Notes provided that:
  - (i) such documents shall be executed by the Substituted Debtor and the Issuer as may be necessary to give full effect to the substitution (the "**Documents**") and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favor of each Noteholder to be bound by the Terms and Conditions of the Notes and the provisions of the Amended and Restated Agency Agreement as fully as if the Substituted Debtor had been named in the Notes, and the Amended and Restated Agency Agreement as the principal debtor in respect of the Notes in place of the Issuer and pursuant to which the Issuer shall guarantee, which guarantee shall be unconditional and irrevocable, (the "**Guarantee**") in favor of each Noteholder the payment of all sums (including any additional amounts payable pursuant to Condition 8) payable in respect of the Notes;
  - (ii) where the Substituted Debtor is incorporated, domiciled or resident for taxation purposes in a territory other than The Netherlands, the Documents shall contain a covenant and/or such other provisions as may be necessary to ensure that each Noteholder has the benefit of a covenant in terms corresponding to the provisions



of Condition 8 with the substitution for the references to The Netherlands of references to the territory in which the Substituted Debtor is incorporated, domiciled and/or resident for taxation purposes. The Documents shall also contain a covenant by the Substituted Debtor and the Issuer to jointly and severally indemnify and hold harmless each Noteholder against all liabilities, costs, charges and expenses, provided that insofar as the liabilities, costs, charges and expenses are taxes or duties, the same arise by reason of a law or regulation having legal effect or being in reasonable contemplation thereof on the date such substitution becomes effective, which may be incurred by or levied against such holder as a result of any substitution pursuant to this Condition and which would not have been so incurred or levied had such substitution not been made (and, without limiting the foregoing, such liabilities, costs, charges and expenses shall include any and all taxes or duties which are imposed on any such Noteholder by any political sub-division or taxing authority of any country in which such Noteholder resides or is subject to any such tax or duty and which would not have been so imposed had such substitution not been made);

- (iii) the Substituted Debtor and the Issuer shall have obtained all necessary governmental and regulatory approvals and consents for such substitution and the performance of its obligations under the Documents, and that all such approvals and consents are in full force and effect and the Documents shall contain a representation by the Substituted Debtor and the Issuer that the obligations assumed by each of the Substituted Debtor and the Issuer under the Documents are all valid and binding in accordance with their respective terms and enforceable by each Noteholder;
- (iv) each stock exchange which has Notes listed thereon or the relevant competent authority relating thereto shall have confirmed that following the proposed substitution of the Substituted Debtor such Notes would continue to be listed on such stock exchange;
- (v) the Substituted Debtor shall have delivered to the Fiscal Agent or procured the delivery to the Agent of a legal opinion from a leading firm of local lawyers acting for the Substituted Debtor to the effect that the Documents constitute legal, valid and binding obligations of the Substituted Debtor, such opinion to be dated not more than three days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders at the specified office of the Fiscal Agent;
- (vi) the Issuer shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion from a leading firm of Dutch lawyers to the effect that the Documents (including the Guarantee) constitute legal, valid and binding obligations of the Substituted Debtor and the Issuer under Dutch law, such opinion to be dated not more than three days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders at the specified office of the Fiscal Agent; and
- (vii) the Substituted Debtor shall have appointed an agent for the service of process in accordance with Condition 16(b).

- (b) In connection with any substitution effected pursuant to this Condition, neither the Issuer nor the Substituted Debtor need have any regard to the consequences of any such substitution for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and no Noteholder, except as provided in Condition 15(a)(ii), shall be entitled to claim from the Issuer or any Substituted Debtor under the Notes any indemnification or payment in respect of any tax or other consequences arising from such substitution.
- (c) In respect of any substitution pursuant to this Condition in respect of the Subordinated Notes of any Series, the Documents shall provide for such further amendment of the Terms and Conditions of the Subordinated Notes as shall be necessary or desirable to ensure that the Subordinated Notes of such Series constitute subordinated obligations of the Substituted Debtor and that the Guarantee constitutes a subordinated obligation of the Issuer, in each case subordinated to no greater than the same extent as the Issuer's obligations prior to its substitution to make payments of principal in respect of the Subordinated Notes of such Series under Condition 4.
- (d) With respect to Subordinated Notes, the Issuer shall be entitled, after written approval of DNB, and by notice to the Noteholders given in accordance with Condition 12, at any time either to effect a substitution which does not comply with paragraph (c) above provided that the terms of such substitution have been approved by 75% of the Noteholders or to waive all and any rights to effect a substitution of the principal debtor pursuant to this Condition. Any such notice of waiver shall be irrevocable.
- (e) Upon the execution of the Documents as referred to in paragraph (a) above, and subject to the notice as referred to in paragraph (g) below having been given, the Substituted Debtor shall be deemed to be named in the Notes as the principal debtor in place of the Issuer and the Notes shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall operate to release the Issuer as issuer from all of its obligations as principal debtor in respect of the Notes save that any claims under the Notes prior to release shall ensure for the benefit of Noteholders.
- (f) The Documents shall be deposited with and held by the Fiscal Agent for so long as any Notes remain outstanding and for so long as any claim made against the Substituted Debtor by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and the Issuer shall acknowledge in the Documents the right of every Noteholder to the production of the Documents for the enforcement of any of the Notes or the Documents.
- (g) Prior to, to the extent reasonably practicable but in any event no later than, 15 business days after the execution of the Documents, the Substituted Debtor shall give notice thereof to the Noteholders in accordance with Condition 12.

## **16. Governing Law and Jurisdiction**

### **(a) *Governing Law***

The Notes and the Amended and Restated Agency Agreement shall be governed by and construed and interpreted in accordance with the law of the State of New York, without reference to

conflicts of laws principles, except that the ranking of the Notes and the provisions relating to subordination set forth in the Notes (including the Conditions) and the Amended and Restated Agency Agreement shall be governed, construed and interpreted in accordance with the laws of The Netherlands.

**(b) Jurisdiction**

The Issuer irrevocably consents and agrees for the benefit of the holders of the Notes that any legal action, suit or proceeding against it with respect to its obligations, liabilities or any other matter arising out of or in connection with the Notes or any related additional agreement may be brought in the courts of the State of New York or the courts of the United States of America located in the County of New York and hereby irrevocably consents and submits to the non-exclusive jurisdiction of each such court in person, generally and unconditionally with respect to any action, suit or proceeding for itself and in respect of its properties, assets and revenues. The Issuer hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to the Notes.

The Issuer hereby irrevocably designates, appoints and empowers the New York Representative Office of ABN AMRO Bank N.V. at 565 Fifth Avenue, 25th Floor, New York, NY 10017, United States of America, as its designee, appointee and agent to receive, accept and acknowledge for and on its behalf, and its properties, assets and revenues, service of any and all legal process, summons, notices and documents that may be served in any action, suit or proceeding brought against it in any such United States or state court located in the County of New York, with respect to its obligations, liabilities or any other matter arising out of or in connection with the Notes or any related additional agreement and that may be made on such designee, appointee and agent in accordance with legal procedures prescribed for such courts. If for any reason such designee, appointee and agent hereunder shall cease to be available to act as such, the Issuer agrees to designate a new designee, appointee and agent in the County of New York on the terms and for the purposes of this Condition 16(b) satisfactory to the Fiscal Agent. The Issuer further hereby irrevocably consents and agrees to the service of any and all legal process, summons, notices and documents in any such action, suit or proceeding against it by serving a copy thereof upon the relevant agent for service of process referred to in this Condition 16(b) (whether or not the appointment of such agent shall for any reason prove to be ineffective or such agent shall accept or acknowledge such service) or by mailing copies thereof by registered or certified air mail, postage prepaid, to it at its registered address. The Issuer agrees that the failure of any such designee, appointee and agent to give any notice of such service to it shall not impair or affect in any way the validity of such service or any judgment rendered in any action or proceeding based thereon. Nothing herein shall in any way be deemed to limit the ability of the Noteholders to service any such legal process, summons, notices and documents in any other manner permitted by applicable law or to obtain jurisdiction over the Issuer or bring actions, suits or proceedings against them in such other jurisdictions, and in such manner, as may be permitted by applicable law. The Issuer hereby irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of venue of any of the aforesaid actions, suits or proceedings arising out of or in connection with the Notes or any related additional agreement brought in the United States federal courts located in the County of New York or the courts of the State of New York located in the County of New York and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

## **SPECIAL PROVISIONS RELATING TO FOREIGN CURRENCY NOTES**

### **General**

Unless otherwise indicated in the applicable Pricing Term Sheet or Final Terms in relation to any Tranche of Notes, the Notes will be denominated in US dollars and payments of principal of and any premium and interest on the Notes will be made in US dollars in the manner indicated in this Base Prospectus and the applicable Pricing Term Sheet and/or Final Terms. If any of the Notes are to be denominated in a currency other than US dollars (a “**Specified Currency**”), the following special provisions shall apply which supplement, and to the extent inconsistent therewith replace the master Terms and Conditions as set out in full in this Base Prospectus in the section headed “Terms and Conditions of the Notes”.

### **Payment currency**

Unless otherwise indicated in the applicable Pricing Term Sheet or Final Terms in relation to any Tranche of Notes, a purchaser will be required to pay for Foreign Currency Notes in the Specified Currency. Currently, there are limited facilities in the United States for the conversion of US dollars into foreign currencies. Therefore, unless otherwise indicated in the applicable pricing supplement, the exchange rate agent the relevant Issuer appoints and identifies in the applicable pricing supplement will arrange for the conversion of US dollars into the Specified Currency on behalf of any purchaser of a Foreign Currency Notes to enable a prospective purchaser to deliver the Specified Currency in payment for a Foreign Currency Note. The exchange rate agent must receive a request for any conversion on or prior to the third business day preceding the date of delivery of the Foreign Currency Note. The purchaser must pay all costs of currency exchange.

Unless otherwise indicated in the applicable Pricing Term Sheet or Final Terms in relation to any Tranche of Notes, payments made by the Issuer of principal of, premium, if any, and interest, if any, on a Foreign Currency Note, will be made in accordance with Condition 6.

## TAXATION

### Netherlands taxation

#### General

The following summary outlines the principal Netherlands tax consequences of the acquisition, holding, settlement, redemption and disposal of the Notes, but does not purport to be a comprehensive description of all Netherlands tax considerations in relation thereto. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Notes.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Base Prospectus, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address The Netherlands tax consequences for:

- (i) holders of Notes holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer and holders of Notes of whom a certain related person holds a substantial interest in the Issuer. Generally speaking, a substantial interest in the Issuer arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), whether directly and/or indirectly as (deemed) settlor, grantor or similar originator (the **Settlor**) or upon the death of the Settlor, his/her beneficiaries (the **Beneficiaries**) in proportion to their entitlement to the estate of the Settlor of a trust, foundation or similar arrangement (the **Separated Private Assets**), holds (i) an interest of 5% or more of the total issued capital of the Issuer or of 5% or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer;
- (ii) investment institutions (*fiscale beleggingsinstellingen*); and
- (iii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are exempt from Netherlands corporate income tax.

#### Withholding tax

All payments made by the Issuer under the Notes may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

#### Corporate and individual income tax

- (a) Residents of The Netherlands

If a holder is a resident or deemed to be a resident of The Netherlands for Netherlands tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Notes are attributable,

income derived from the Notes and gains realized upon the redemption, settlement or disposal of the Notes are generally taxable in The Netherlands (at up to a maximum rate of 25%).

If an individual holder is a resident or deemed to be a resident of The Netherlands for Netherlands tax purposes (including an individual holder who has opted to be taxed as a resident of The Netherlands), income derived from the Notes and gains realized upon the redemption, settlement or disposal of the Notes are taxable at the progressive rates (at up to a maximum rate of 52%) under The Netherlands income tax act 2001 (*Wet inkomstenbelasting 2001*), if:

- (i) the holder is an entrepreneur (*ondernemer*) and has an enterprise to which the Notes are attributable or the holder has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Notes are attributable; or
- (ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include (i) the performance of activities with respect to the Notes that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*), or (ii) if income and gains are derived from the holding, whether directly or indirectly, of (a combination of) shares, debt claims or other rights (together, a **Lucrative Interest**) that the holder thereof has acquired under such circumstances that such income and gains are intended to be remuneration for work or services performed by such holder (or a related person), whether within or outside an employment relation, where such Lucrative Interest provides the holder thereof, economically speaking, with certain benefits that have a relation to the relevant work or services, or (iii) where such person is an individual, together with his or her partner (statutory defined term), whether directly and/or indirectly as Settlor or upon the death of the Settlor, the Beneficiaries in proportion to their entitlement to the Separated Private Assets, (a) has indirectly the disposition of the proceeds of the Notes or (b) has a substantial interest in an entity that legally or de facto, directly or indirectly, has the disposition of the proceeds of the Notes.

If neither condition (i) nor condition (ii) applies to the holder of the Notes, taxable income with regard to the Notes must be determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realized. This deemed return on income from savings and investments has been fixed at a rate of 4% of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year (minus a tax-free amount). The individual's yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Notes less the fair market value of certain qualifying liabilities on 1 January. The fair market value of the Notes will be included as an asset in the individual's yield basis. The 4% deemed return on income from savings and investments will be taxed at a rate of 30%.

(b) Non-residents of The Netherlands

If a holder is not a resident nor is deemed to be a resident of The Netherlands for Netherlands tax purposes (or has not opted to be taxed as a resident of The Netherlands), such holder is not taxable in respect of income derived from the Notes and gains realized upon the settlement, redemption or disposal of the Notes, unless:

- (i) the holder is not an individual and such holder (1) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in The

Netherlands to which permanent establishment or permanent representative the Notes are attributable, or (2) is entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in The Netherlands (other than by way of securities) and to which enterprise the Notes are attributable.

This income is subject to Netherlands corporate income tax at up to a maximum rate of 25%.

- (ii) the holder is an individual and such holder (1) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands to which permanent establishment or permanent representative the Notes are attributable, or (2) realizes income or gains with respect to the Notes that qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*) in The Netherlands, which activities include (i) the performance of activities in The Netherlands with respect to the Notes which exceed regular, active portfolio management (*normaal, actief vermogensbeheer*), or (ii) if income and gains are derived from the holding, whether directly or indirectly, of (a combination of) shares, debt claims or other rights (together, a “**Lucrative Interest**”) that the holder thereof has acquired under such circumstances that such income and gains are intended to be remuneration for work or services performed by such holder (or a related person) in The Netherlands, whether within or outside an employment relation, where such Lucrative Interest provides the holder thereof, economically speaking, with certain benefits that have a relation to the relevant work or services, or (iii) where such person is an individual, together with his or her partner (statutory defined term), whether directly and/or indirectly as Settlor or upon the death of the Settlor, the Beneficiaries in proportion to their entitlement to the Separated Private Assets, has indirectly the disposition of the proceeds of the Notes in The Netherlands, or (3) is entitled to a share in the profits of an enterprise which is effectively managed in The Netherlands (other than by way of securities) and to which enterprise the Notes are attributable.

Income derived from the Notes as specified under (1) and (2) is subject to individual income tax at up to a maximum rate of 52%. Income derived from a share in the profits as specified under (3) that is not already included under (1) or (2) will be taxed on the basis of a deemed return on income from savings and investments (as described above under “*Residents of The Netherlands*”). The fair market value of the share in the profits of the enterprise (which includes the Notes) will be part of the individual’s Netherlands yield basis.

### **Gift and inheritance tax**

For the purposes of Netherlands gift and inheritance tax, a gift that is made under a condition precedent is deemed to be made at the moment such condition precedent is satisfied. If the condition precedent is fulfilled after the death of the donor, the gift is deemed to be made upon the death of the donor.

For gift and inheritance tax purposes, (i) a gift by a third party such as a trustee, foundation or similar entity or arrangement, will be construed as a gift by the Settlor, and (ii) upon the death of the Settlor, as a rule, his/her Beneficiaries, will be deemed to have inherited directly from the Settlor. Subsequently, the Beneficiaries will be deemed the Settlor of the Separated Private Assets

for purposes of The Netherlands gift and inheritance tax in case of subsequent gifts or inheritances.

(a) Residents of The Netherlands

Generally, gift and inheritance tax will be due in The Netherlands in respect of the acquisition of the Notes by way of a gift by, or on the death of, a holder that is a resident or deemed to be a resident of The Netherlands for the purposes of Netherlands gift and inheritance tax at the time of the gift or his or her death.

A holder of The Netherlands nationality is deemed to be a resident of The Netherlands for the purposes of The Netherlands gift and inheritance tax if he or she has been resident in The Netherlands and dies or makes a donation within ten years after leaving The Netherlands. A holder of any other nationality is deemed to be a resident of The Netherlands for the purposes of The Netherlands gift tax if he or she has been resident in The Netherlands and makes a donation within a twelve month period after leaving The Netherlands. The same twelve-month rule may apply to entities that have transferred their seat of residence out of The Netherlands.

(b) Non-residents of The Netherlands

No gift or inheritance taxes will arise in The Netherlands in respect of the acquisition of the Notes by way of a gift by, or as a result of, the death of a holder that is neither a resident nor deemed to be a resident of The Netherlands for the purposes of Netherlands gift and inheritance tax, unless in the case of a gift of the Notes by a holder who at the date of the gift was neither a resident nor deemed to be a resident of The Netherlands, such holder dies within 180 days after the date of the gift, and at the time of his or her death is a resident or deemed to be a resident of The Netherlands.

**Value added tax**

In general, no value added tax will arise in respect of payments in consideration for the issue of the Notes or in respect of a cash payment made under the Notes, or in respect of a transfer of Notes.

**Other taxes and duties**

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in The Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Notes.



## **EU savings directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

## **US federal income taxation**

The following discussion is a summary based upon present law of certain material US federal income tax considerations for prospective purchasers of Notes. This discussion addresses only US Holders (as defined below) purchasing Notes in an original offering that hold such Notes as capital assets and use the US dollar as their functional currency. This discussion is a general summary. It is not a substitute for tax advice. This discussion does not address the tax treatment of prospective purchasers subject to special rules, such as financial institutions, insurance companies, tax-exempt entities, dealers in securities or foreign currencies, traders in securities that elect to mark to market, prospective purchasers liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, regulated investment companies, real estate investment trusts, or persons holding the Notes as part of a hedge, straddle, conversion, or other integrated financial transaction. This section does not address Notes that are due to mature more than 30 years from the date on which they are issued, Subordinated Notes or Index Linked Redemption Notes. The United States federal income tax consequences of owning Subordinated Notes or Notes that are due to mature more than 30 years from their date of issue will be discussed in the applicable Final Terms. This summary does not address US federal estate and gift, US state and local or foreign tax law.

**THE STATEMENTS ABOUT US FEDERAL INCOME TAX ISSUES ARE MADE TO SUPPORT THE PROMOTION AND MARKETING OF THE NOTES. NO TAXPAYER CAN RELY ON THEM TO AVOID US FEDERAL TAX PENALTIES. EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN NOTES UNDER THE LAWS OF THE NETHERLANDS, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTION WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.**

For purposes of this discussion, a “**US Holder**” is a beneficial owner of a note that is (i) a citizen or individual resident of the United States for US federal income tax purposes, (ii) a corporation, partnership or other business entity organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) a trust subject to the control of a US person and the primary supervision of a US court or (iv) an estate the income of which is subject to US federal income taxation regardless of its source.

The US federal income tax treatment of a partner in a partnership that holds Notes will depend on the status of the partner and the activities of the partnership. Partnerships and partners in such partnerships are urged to consult their own tax advisers regarding the specific tax consequences of purchasing, owning and disposing of such Notes.

There may be further discussion of the US federal income tax treatment of Notes in the Final Terms for each Series of Notes.

### **Characterization of the notes**

The Issuer expects that the Notes generally should be characterized as debt for US federal income tax purposes. The tax characterization of Notes in any particular Series will depend, however, on the Final Terms of the Series and it is possible that certain Notes, particularly including Notes that are due to mature more than 30 years from the date on which they are issued or Subordinated

Notes, may not be characterized as debt for US federal income tax purposes. While the discussion here generally assumes that the Notes are debt for US federal income tax purposes, US Holders must consider any supplemental tax disclosure on the treatment of particular Notes set forth in the Final Terms with respect to such Notes and consult their own tax advisors about the proper tax characterization of the Notes.

The consequences to a US Holder of purchasing Notes in the original offering and holding Notes that are treated as debt for US federal income tax purposes generally would be as described below.

### **Interest**

Except as discussed below under “*Original Issue Discount*” and “*Contingent Debt Obligations*”, interest on the Notes will be includible in the income of a US Holder as ordinary income from sources outside the United States according to such US Holder’s regular method of accounting for tax purposes, provided that such interest is qualified stated interest (as defined below). Interest on Floating Rate Notes and Indexed Linked Interest Notes will generally accrue at a hypothetical fixed rate equal to the rate at which the Notes bore interest on their issue date. The amount of interest actually recognized for any accrual period will increase (or decrease) if the interest actually paid during the period is more (or less) than the amount accrued at the hypothetical rate. US Holders of Floating Rate Notes and Index Linked Interest Notes, therefore, generally will recognize income for each period equal to the amount paid during that period.

### **Original issue discount**

A Series of Notes may be issued with original issue discount (“**OID**”) for US federal income tax purposes. A Note will be issued with OID to the extent that the Note’s “**stated redemption price at maturity**” exceeds its “**issue price**”. A Note generally will not have OID if such excess is less than 1/4 of 1% of the Note’s stated redemption price at maturity multiplied by the number of complete years to maturity (“**de minimis OID**”).

The issue price of a Note is the initial offering price at which a substantial amount of the Notes are sold (excluding sales to underwriters, brokers or similar persons acting in their capacity as such). The stated redemption price at maturity of a Note is the total of all payments on the Note other than payments of “**qualified stated interest**”. Qualified stated interest means, in general, stated interest that is payable unconditionally in cash or in property at least annually at a single fixed rate (or at certain floating rates) that appropriately takes into account the length of the interval between stated interest payments.

A US Holder of a Note issued with OID and having a maturity in excess of one year must include OID in income over the term of the Note. An initial US Holder generally must include in gross income the sum of the daily portions of OID that accrue on the Note for each day during the taxable year in which such US Holder held the Note. To determine the daily portion of OID, OID accruing during an accrual period (generally the period not exceeding one year between dates on which interest is paid) is divided by the number of days in the accrual period.

The amount of OID accruing during an accrual period is determined by using a constant yield to maturity method. For any accrual period, the OID allocable to the accrual period is the excess of (i) the product of the Note’s adjusted issue price at the beginning of the accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and

appropriately adjusted for the length of the accrual period) over (ii) the sum of any qualified stated interest payments allocable to the accrual period. A Note's adjusted issue price generally equals the issue price of the Note increased by the aggregate amount of OID accrued on a Note in all prior accrual periods (determined without regard to the amortization of any acquisition premium, as discussed below, or bond premium, as discussed below) and reduced by the amount of all payments previously received (other than payments of qualified stated interest).

As described below in "*Optional Redemption*", certain of the Notes may be subject to special redemption features, which may affect the yield to maturity and accrual periods with respect to a Note.

Notes bearing interest at a variable rate, including Floating Rate Notes and Indexed Interest Notes, are subject to special OID rules. In the case of a Floating Rate Note, both the yield to maturity and qualified stated interest will be determined as though the Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable on the date of issue or, in the case of certain Floating Rate Notes and Indexed Interest Notes, the rate that reflects the yield to maturity that is reasonably expected for the Note. In certain cases, Floating Rate Notes and Indexed Interest Notes that bear stated interest and are issued at par may have OID, with the result that the inclusion of interest in income may vary from the actual cash payments of interest made on such Notes.

OID on a Note that is denominated in a single currency other than US dollars will be determined for any accrual period in the applicable currency and then translated into US dollars in the same manner as other interest income accrued by an accrual method US Holder, as described below under "*Foreign Currency Notes*". A US Holder will recognize exchange gain or loss when OID is paid to the extent of the difference between the US dollar value of the accrued OID and the US dollar value of the currency received at the spot rate on the date of receipt. For this purpose, all payments (other than qualified stated interest) on a Note will first be treated as payments of previously accrued OID, with payments considered made for the earliest accrual periods first.

A US Holder may elect to treat all interest on a Note as OID applying the constant yield method described above to accrue such interest, with the modifications described below. For purposes of this election, interest includes stated interest, OID, de minimis OID, acquisition discount, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. In applying the constant yield method to a Note with respect to which this election has been made, the issue price of a Note will equal the electing US Holder's adjusted basis in the Note immediately after its acquisition, the issue date of the Note will be the date of its acquisition by the electing US Holder, and no payments on the Note will be treated as payments of qualified stated interest. If a US Holder makes this election, it will apply only to the Note with respect to which it is made and the US Holder may not revoke it without the consent of the US Internal Revenue Service ("**IRS**"). A US Holder making this election with respect to a Note with bond premium will be deemed to have made the elections (discussed below in "*Bond Premium*") to amortize bond premium currently with respect to all debt instruments with bond premium held or acquired by such US Holder as of the beginning of that taxable year.

### **Foreign currency notes**

A cash basis US Holder receiving interest denominated in a currency other than US dollars must include a US dollar amount in income based on the spot exchange rate on the date of receipt whether or not the payment is converted to US dollars. An accrual basis US Holder (or a cash

basis US Holder in the case of interest, such as OID, that must be accrued prior to receipt) receiving interest denominated in a currency other than US dollars must include in income a US dollar amount based on the average exchange rate during the accrual period (or, if an accrual period spans two taxable years, the partial period within the taxable year). Upon receipt of an interest payment in a currency other than US dollars, US Holders that have accrued interest will recognize exchange gain or loss equal to the difference, if any, between the US dollar amount of interest previously accrued and the US dollar value of the payment received determined at the spot exchange rate on the date of receipt. Such exchange gain or loss will be US source ordinary income or loss and generally will not be considered additional interest income or expense.

An accrual basis US Holder (and a cash basis US Holder with respect to OID, if any) may elect to translate accrued interest into US dollars at the spot exchange rate on the last day of the accrual period (or, if an accrual period spans two taxable years, at the exchange rate on the last day of the first taxable year for interest accrued through that date). If accrued interest actually is received within five business days of the last day of the accrual period (or the taxable year, in the case of a partial accrual period), an electing accrual basis US Holder instead may translate the accrued interest at the spot exchange rate on the date of actual receipt for purposes of translating accrued interest income into US dollars (in which case no exchange gain or loss will be taken into account upon receipt). Any currency translation elections will apply to all debt instruments that the electing US Holder holds or acquires as of the beginning of that taxable year. A US Holder may not revoke this election without the consent of the IRS.

For purposes of this discussion, the “**spot exchange rate**” generally means a rate that reflects a fair market rate of exchange available to the public for currency under a “**spot contract**” in a free market and involving representative amounts. A “spot contract” is a contract to buy or sell a currency other than the US dollar on or before two business days following the date of the execution of the contract. If such a spot rate cannot be demonstrated, the IRS has the authority to determine the spot rate. The “**average rate**” for an accrual period (or partial period) is the average of the spot exchange rates for each business day of such period or other average exchange rate for the period reasonably derived and consistently applied by a US Holder.

The tax basis of currency other than US dollars received by a US Holder generally will equal the US dollar equivalent of such foreign currency at the spot rate on the date it is received. Upon the subsequent exchange of such foreign currency for US dollars, another currency, or property, a US Holder generally will recognize exchange gain or loss equal to the difference between the US Holder’s tax basis in the foreign currency and the US dollars received or the US dollar value of the other currency (at the spot rate on the date of exchange) or property. Such gain or loss will be US source ordinary gain or loss.

### **Short-term notes**

A US Holder of a Note with a maturity of one year or less (a “**Short-Term Note**”) will be subject to special rules.

The OID rules do not treat interest payments on a Short-Term Note as qualified stated interest, but instead treat a Short-Term Note as having OID determined by including any stated interest payments in a Short-Term Note’s stated redemption price at maturity. Except as noted below, a cash-basis US Holder of a Short-Term Note generally will not be required to accrue OID currently, but will be required to treat any gain realized on a sale or other disposition of a Short-Term Note as ordinary income to the extent such gain or loss does not exceed the OID accrued

with respect to the Short-Term Note during the period the US Holder held it. Accrual basis (and electing cash-basis) US Holders will include OID on a Short-Term Note in income on a current basis.

A US Holder will accrue OID on a Short-Term Note on a straight-line method unless it elects a constant yield method. If a US Holder makes this election, it will apply only to the Short-Term Note with respect to which it is made, and the US Holder may not revoke it. Furthermore, unless a US Holder elects to include OID into income on a current basis as described above, a US Holder of a Short-Term Note having OID may be required to defer the deduction of all or a portion of the interest expense on any debt incurred or maintained to purchase or carry such Short-Term Note.

### **Contingent debt obligations**

A Series of Notes may provide for contingent payments (“**Contingent Debt Obligations**”). Special rules govern the tax treatment of Contingent Debt Obligations. These rules generally require a US Holder to treat all interest as OID and to accrue OID at a rate equal to the comparable yield on a non-contingent fixed rate debt instrument of the Issuer with similar terms and conditions and a projected payment schedule that produces such comparable yield. The amount of OID will then be allocated on a ratable basis to each day in the period that the US Holder holds the Contingent Debt Obligation. The OID would be ordinary income from sources outside of the United States.

If the actual payments made on a Contingent Debt Obligation in a year differ from the projected contingent payments, US Holders will recognize additional interest income or ordinary loss (after offsetting and reducing OID for such periods). Ordinary loss is recognized only to the extent of OID accrued in prior years, with any further excess being carried forward to offset OID accruals in future taxable years or as a reduction in the amount realized upon sale maturity or other disposition of the Contingent Debt Obligation. US Holders therefore might be required to recognize income greater or less than the interest and other cash payments on the Contingent Debt Obligations.

The OID rules do not treat Notes as having OID by reason of the contingent US dollar values of payments on Notes denominated in a single currency other than US dollars. US Holders of Contingent Debt Obligations denominated in a single currency other than US dollars generally are required to accrue interest at a comparable yield in units of foreign currency and translate OID into US dollars in accordance with the rules for accrual basis taxpayers. Special rules apply to the conversion of adjustments.

Gain on the sale or other disposition of a Contingent Debt Obligation generally will be treated as ordinary income from sources outside of the United States. Loss will be treated as ordinary loss to the extent of prior net interest inclusions and capital loss to the extent of any excess. Loss generally would be treated as arising from foreign sources.

### **Dual currency notes**

The principles governing Contingent Debt Obligations generally apply to Dual Currency Notes in the predominant currency of the Notes. If the predominant currency is the US Holder’s functional currency, the regulations governing Contingent Debt Obligations apply. Payments denominated in a currency other than the predominant currency are treated as contingent payments.

### **Optional redemption**

If the Issuer has an option to redeem a Note or a US Holder has an option to cause a Note to be repurchased prior to the Note's stated maturity, the option will be presumed to be exercised if, utilizing an early redemption or repurchase and the amount payable on such date, the yield on the Note would (i) in the case of an option of the Issuer, be lower than its yield to stated maturity, or (ii) in the case of an option of the US Holder, be higher than its yield to stated maturity. A determination of the payment schedule most likely to occur is binding upon all US Holders of the Notes except for a US Holder that explicitly discloses on its US federal income tax return for the taxable year in which it acquired the Note that it has determined the yield and maturity of the Note on a different basis. If the option is not exercised when presumed to be exercised, the Note would be treated as if it were repurchased or redeemed and a new Note were issued on the presumed exercise date for an amount equal to the Note's adjusted issue price on that date.

### **Market discount**

If the stated redemption price at maturity of a Note exceeds a US Holder's tax basis in the Note by more than a de minimis amount, the Note (other than a Short-Term Note) will have market discount. A Note generally will not have market discount if such excess is less than  $\frac{1}{4}$  of 1% of the Note's stated redemption price at maturity multiplied by the number of complete years to maturity.

Generally, a US Holder will treat gain that it recognizes on the sale or other disposition of a Note as ordinary income to the extent of the market discount accrued while such US Holder held the Note. Alternatively, a US Holder may elect to report accrued market discount as income annually over the term of the Note. If a US Holder makes this election, it will apply to all debt instruments with market discount that the electing US Holder holds or acquires as of the beginning of that taxable year. A US Holder may not revoke this election without the consent of the IRS.

A US Holder will accrue market discount on a Note on a straight-line method unless it elects a constant-yield method. If a US Holder makes this election, it will apply only to the Note with respect to which it is made and the US Holder may not revoke it.

Furthermore, unless a US Holder elects to include market discount in income on a current basis as described above, a US Holder of a Note having market discount may be required to defer the deduction of all or a portion of the interest expense on any debt incurred or maintained to purchase or carry such Note.

In the case of a Note denominated in a currency other than US dollars, (i) market discount is determined in units of the relevant foreign currency, (ii) accrued market discount required to be taken into account on the maturity or earlier disposition of a Note is translated into US dollars at the spot rate on maturity or earlier date of disposition of the Note (and no part of such market discount is treated as exchange gain or loss), and (iii) accrued market discount currently includible in income by a US Holder is translated into US dollars at the average exchange rate for the accrual period, and exchange gain or loss is determined on the maturity or earlier date of disposition of the Note in the manner described in "*Foreign Currency Notes*" above, with respect to computation of exchange gain or loss on the receipt of accrued interest.

## **Bond premium**

A US Holder that has a tax basis in a Note that is greater than its principal amount may elect to treat the excess as amortizable bond premium. If a US Holder makes this election, it will reduce the amount required to be included in income each year with respect to interest on the Note by the amount of amortizable bond premium allocable to that year. If a US Holder makes an election to amortize bond premium, it will apply to all the debt instruments of a US Holder with bond premium that the electing US Holder holds or acquires as of the beginning of that taxable year. A US Holder may not revoke this election without the consent of the IRS.

In the case of a Note denominated in a currency other than US dollars, bond premium is computed in units of the relevant foreign currency and amortizable bond premium reduces interest income in units of such foreign currency. At the time amortizable bond premium offsets interest income, foreign currency exchange gain or loss (taxable as ordinary income or loss, but not generally as interest income or expense) is realized based on the difference between spot rates at that time and at the time of the acquisition of the Note.

If a Note can be optionally redeemed after the US Holder acquires it at a price in excess of its principal amount, special rules would apply that could result in a deferral of the amortization of some bond premium until later in the term of the Note.

With respect to a holder that does not elect to amortize bond premium, the amount of bond premium constitutes a capital loss when the bond matures. In the case of a Note denominated in a currency other than US dollars, foreign currency exchange gain or loss with respect to the premium is realized based on the difference between the spot rates on the sale or other disposition of the Note and at the time of the acquisition of the Note. In such case, the amount of any capital loss relating to the premium may be offset or eliminated by exchange gain.

Special rules apply to Notes issued with OID that are purchased at a premium.

## **Disposition of the notes**

A US Holder generally will recognize capital gain or loss upon a sale or other disposition of a Note in an amount equal to the difference between the amount realized from such disposition (less any accrued unpaid qualified stated interest, which will be taxable as such) and the US Holder's adjusted tax basis in the Note. Gain or loss on the sale or other disposition of the Note generally will be long-term capital gain or loss if the Note has been held for more than a year. Special rules apply to gains or losses on Contingent Debt Obligations as described above.

A US Holder's adjusted tax basis in a Note generally will equal the US Holder's cost of the Note, increased by any accrued market discount or OID included in income and decreased by the amount of any amortized bond premium or payment (other than qualified stated interest) received with respect to the Note. The cost of a Note denominated in a currency other than US dollars will be the US dollar value of the currency on the date of purchase determined at the spot rate.

A US Holder that receives currency other than US dollars upon sale or other disposition of the Notes will realize an amount equal to the US dollar value of the currency on the date of sale. If the Notes are traded on an established securities market, a cash basis US Holder or electing accrual basis taxpayer will determine the amount realized on the settlement date. A US Holder will have a tax basis in the currency equal to the US dollar amount realized. Any gain or loss



realized by a US Holder on a subsequent conversion of currency for US dollars will be US source ordinary income or loss.

The election available to accrual basis US holders in respect of the sale of Notes traded on an established securities market must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

In the case of a Note denominated in a currency other than US Dollars, to the extent recognized gain or loss is attributable to changes in the exchange rates with respect to the relevant foreign currency between the date of acquisition and disposition of the Note, the exchange gain or loss will be treated as US source ordinary income or loss and generally will not be considered additional interest income or expense. However, exchange gain or loss is taken into account only to the extent of total gain or loss realized on the transaction. Generally, any gain or loss realized on the transaction in excess of such exchange gain or loss will be US source capital gain or loss and will be long-term capital gain or loss if the Note has been held for more than one year.

For US federal income tax purposes, a substitution of obligors under the Notes, as described under “*Terms and Conditions of the Notes—Substitution of the Issuer*”, may be treated as a deemed taxable exchange of Notes for new Notes issued by the Substituted Debtor. If the substitution of obligors were treated as a deemed taxable exchange, a US Holder generally would recognize capital gain or loss in an amount equal to the difference between the issue price of the new Notes and the US Holder’s adjusted tax basis in the Notes. In addition, other possible adverse tax consequences may apply. US Holders should consult their own tax advisers regarding the US federal income tax consequences of a deemed taxable exchange in the event of a substitution of obligors.

#### **Information reporting and backup withholding**

Payments of interest (including OID, if any), principal, premium, or the proceeds from sale of Notes that are made within the United States or through certain US related financial intermediaries may be reported to the IRS unless the Holder is a US Holder that is a corporation or otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if a US Holder fails to provide an accurate taxpayer identification number, or to otherwise establish a basis for exemption. A US Holder can claim a credit against US federal income tax liability for amounts withheld under the backup withholding rules, and it can claim a refund of amounts in excess of its liability by providing required information to the IRS in a timely manner. Prospective investors should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for establishing an exemption.

Recently enacted legislation requires certain US Holders to report information with respect to their investment in Notes not held through an account with a domestic financial institution to the IRS. Investors who fail to report required information are subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisors regarding the implications of this legislation on their investment in Notes.

A US Holder may be required specifically to report a sale, retirement or other taxable disposition of Notes to the IRS if it recognizes a loss over a threshold amount, including a foreign currency loss from a single transaction that exceeds, in the case of an individual or trust, US\$50,000 in a single taxable year or, in other cases, various higher thresholds. US Holders that recognize a loss on a Note should consult their tax advisors.

**THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES.**

## BENEFIT PLAN INVESTOR CONSIDERATIONS

Each fiduciary of a pension, profit-sharing or other employee benefit plan (a “**plan**”) subject to the US Employee Retirement Income Security Act of 1974, as amended (“ERISA”), should consider the fiduciary standards of ERISA in the context of the plan’s particular circumstances before authorizing an investment in the Notes. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the plan, and whether the investment would involve a prohibited transaction under Section 406 of ERISA or Section 4975 of the US Internal Revenue Code of 1986, as amended (the “**Code**”).

Section 406 of ERISA and Section 4975 of the Code prohibit plans, as well as individual retirement accounts and Keogh plans subject to Section 4975 of the Code (also “**plans**”) from engaging in certain transactions involving “**plan assets**” with persons who are “parties in interest” under ERISA or “disqualified persons” under the Code (“**parties in interest**”) with respect to the plan or account. A violation of these prohibited transaction rules may result in civil penalties or other liabilities under ERISA and/or an excise tax under Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. Certain employee benefit plans and arrangements including those that are governmental plans (as defined in section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-US plans (as described in Section 4(b) (4) of ERISA) (“non-ERISA arrangements”) are not subject to the requirements of ERISA or Section 4975 of the Code but may be subject to similar provisions under applicable federal, state, local, non-US or other regulations, rules or laws (“similar laws”).

The acquisition of the Notes by a plan with respect to which the Issuer or certain of its affiliates is or becomes a party in interest may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless those Notes are acquired pursuant to and in accordance with an applicable exemption. The US Department of Labor has issued five prohibited transaction class exemptions, or “**PTCEs**”, that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of the Notes. These exemptions are: (1) PTCE 84-14, an exemption for certain transactions determined or effected by independent qualified professional asset managers; (2) PTCE 90-1, an exemption for certain transactions involving insurance company pooled separate accounts; (3) PTCE 91-38, an exemption for certain transactions involving bank collective investment funds; (4) PTCE 95-60, an exemption for transactions involving certain insurance company general accounts; and (5) PTCE 96-23, an exemption for plan asset transactions managed by in-house asset managers. In addition, ERISA Section 408(b) (17) and Section 4975(d)(20) of the Code provides a limited exemption for the purchase and sale of securities and related lending transactions, provided that neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any plan involved in the transaction and provided further that the plan pays not more than adequate consideration in connection with the transaction (the so-called “service provider exemption”). There can be no assurance that any of these class or statutory exemptions will be available with respect to transactions involving the Notes.

Accordingly, the Notes may not be purchased or held by (1) any plan, (2) any entity whose underlying assets include “plan assets” by reason of any plan’s investment in the entity (a “**plan asset entity**”) or (3) any person investing “plan assets” of any plan, unless in each case the purchaser or Holder is eligible for exemptive relief. Any purchaser or Holder of the Notes or any

interest in the Notes will be deemed to have represented by its purchase and holding of the Notes that either (1) it is not a plan or a plan asset entity and is not purchasing those Notes on behalf of or with “plan assets” of any plan or plan asset entity or (2) such purchase and holding will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code. In addition, any purchaser or Holder of the Notes or any interest in the Notes which is a non-ERISA arrangement will be deemed to have represented by its purchase and holding of the Notes that its purchase and holding will not violate the provisions of any similar law.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing the Notes on behalf of or with “plan assets” of any plan, plan asset entity or non-ERISA arrangement consult with their counsel regarding the availability of exemptive relief under any of the PTCEs listed above or any other applicable exemption, or the potential consequences of any purchase or holding under similar laws, as applicable.

Each purchaser and Holder of the Notes has exclusive responsibility for ensuring that its purchase and holding of the Notes does not violate the prohibited transaction rules of ERISA, the Code or any similar laws. The sale of any Notes to a plan, plan asset entity or non-ERISA arrangement is in no respect a representation by the Issuer or any of its affiliates or representatives that such an investment meets all relevant requirements with respect to plans, plan asset entities or non-ERISA arrangements generally or any particular plan, plan asset entity or non-ERISA arrangement, or that such an investment is appropriate for plans, plan asset entities or non-ERISA arrangements generally or any particular plan, plan asset entity or non-ERISA arrangement.

**THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES.**

## PLAN OF DISTRIBUTION

The Notes are being offered on a continuous basis for sale by (i) the Issuer through an agent acting as principal for its own account for resale to investors and other purchasers, to be determined by such agent or (ii) the Issuer, who has reserved the right to sell, solicit and accept offers to purchase, Notes directly on its own behalf. Any such agent would be appointed in accordance with a Private Placement Agreement, (each an “**Agent**”), in which it would agree to solicit offers to purchase the Notes pursuant to a Private Placement Agreement or such other arrangements as may be entered into from time to time, if applicable. The Issuer will pay the applicable Agent a commission which will equal a percentage of the principal amount of any such Note sold through such Agent or such other commissions as may be agreed from time to time between the Issuer and such Agent. The Issuer may also sell Notes to an Agent, as principal, at a discount from the principal amount thereof, and such Agent may later resell such Notes to investors at varying prices related to prevailing market prices at the time of sale as determined by such Agent. The Issuer may also sell Notes directly to, and may solicit and accept offers to purchase directly from, investors on its own behalf in those jurisdictions where it is authorized to do so.

ABN AMRO Bank N.V. is not a registered broker-dealer in the United States and, therefore, to the extent that it intends to effect any offers or sales of the Notes in the United States, it will do so through ABN AMRO Securities (USA) LLC or another U.S. registered broker-dealer in accordance with applicable securities laws and as permitted by FINRA regulation. Accordingly, ABN AMRO Bank, as Agent, will offer and sell Notes outside the United States only.

In addition, an Agent may offer any such Notes it has purchased as principal to other Agents. An Agent may sell Notes to any Agent at a discount. Unless otherwise indicated in the applicable Pricing Term Sheet and/or Final Terms, as the case may be, any Note sold to an Agent as principal will be purchased by such Agent at a price equal to 100% of the principal amount thereof less a commission to be agreed, and may be resold by such Agent to investors and other purchasers from time to time in one or more transactions, including negotiated transactions, at a fixed offering price or at varying prices determined at the time of sale or may be resold to certain Agents as described above. After the initial offering of Notes to be resold to investors and other purchasers on a fixed offering price basis, the offering price, concession and discount may be changed.

The Issuer reserves the right to withdraw, cancel or modify the offer made hereby without notice and may reject orders in whole or in part whether placed directly with the Issuer or through an Agent. Each Agent will have the right, in its discretion reasonably exercised, to reject any offer to purchase Notes received by it, in whole or in part.

In connection with the issue of any Tranche of Notes, an Agent or Agents (if any) named as the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that any Stabilizing Manager(s) (or persons acting on behalf of a Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilization action or over-allotment must be

conducted by the relevant Stabilizing Manager(s) (or person(s) acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws and rules.

None of the Issuer or, to the extent so appointed, Agents, makes any representation or prediction as to the direction or magnitude of any effect that the transactions described in the immediately preceding paragraph may have on the price of notes. In addition, neither the Issuer nor any of the Agents makes any representation that such Agents will engage in any such transactions or that such transactions, once commenced, will not be discontinued without notice.

The Issuer has agreed to indemnify any Agents severally against and to make contributions relating to certain liabilities, including liabilities under the Securities Act. An Agent appointed under this Program may engage in transactions with, or perform services for, the Issuer in the ordinary course of business.

Prior to the offering of a particular issuance of Notes, there may not be an active markets for such Notes. From time to time, an Agent appointed under this program may make a market in the Notes as permitted by applicable laws and regulations, but any such Agent will have no obligation to do so, and any such market making activities with respect to the Notes may be discontinued at any time without notice. There can be no assurance that there will be a secondary market for the Notes or liquidity in the secondary market if one develops.

The Agents and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Some of the Agents or their affiliates may have, directly or indirectly, performed investment and/or commercial banking or financial advisory services for ABN AMRO Bank or its affiliates, for which they may have received customary fees and commissions, and they expect to provide these services to ABN AMRO Bank and its affiliates in the future, for which they may also receive customary fees and commissions. The Agents and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The Notes are not being registered under the Securities Act and are being offered and sold in reliance upon Regulation S under the Securities Act and the exemptions from registration provided by Section 4(2) of the Securities Act and Rule 144A promulgated thereunder. The Notes are being offered hereby only (A) to QIBs in reliance on Rule 144A or the exemption provided by Section 4(2) of the Securities Act and (B) outside the United States to persons other than US Persons (as defined in Regulation S) in offshore transactions in reliance upon Regulation S. The minimum principal amount of Notes which may be purchased for any account is US\$200,000 (or the equivalent thereof in another currency or composite currency, or in the case of Foreign Currency Notes, 1,000 units of such currency, if such Notes are clearing through DTC)).

Prior to any issuance of Notes in reliance on Regulation S, each Agent appointed under this program will be deemed to represent and agree that:

***Public Offer Selling Restriction Under the Prospectus Directive***

1. in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), that with effect from and including the date (the "**Relevant Implementation Date**") on which the Prospectus Directive is implemented in that Relevant Member State, it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) *Fewer than 100 offerees*: at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Agent or Agents nominated by the Issuer for any such offer; or
- (c) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of the previous paragraph, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable a prospective investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State, and "**2010 PD Amending Directive**" means Directive 2010/73/EU.

2. The Notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of an issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

3. This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the Notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Notes under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

4. The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each Agent has agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

5. With respect to offers and sales outside the United States, it will send to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from them during the distribution compliance period (as defined in Regulation S) a confirmation or notice substantially to the following effect:

“The Notes covered hereby have not been registered under the US Securities Act of 1933 and may not as a matter of US law be offered and sold within the United States or to, or for the account or benefit of, US persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, except in either case in accordance with Regulation S (or Rule 144A, if available) under the Securities Act. Terms used above have the meaning given to them by Regulation S”.

Until the expiration of the period ending 40 days after the later of the commencement of the offering and the date of issue of the Notes, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act or pursuant to another exemption from Registration under the Securities Act. Furthermore, if any such Notes are sold within the United States or to, or for the account or



benefit of, a US person (as defined in Regulation S) pursuant to Rule 144A or pursuant to another exemption from registration under the Securities Act, such person (i) must hold its interest in the Notes offshore through Euroclear or Clearstream, Luxembourg, as the case may be, until the expiration of the distribution compliance period (as defined in Regulation S) and (ii) upon the expiration of such distribution compliance period, must certify that it bought such Notes pursuant to Rule 144A or pursuant to another exemption from registration under the Securities Act.

6. With respect to offers and sales in the United Kingdom, each Agent appointed under this Program will be required to represent and agree, that:

- (i) in relation to any Notes having a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;

7. The Netherlands

- (i) with effect from and including 1 January 2012 it will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in The Netherlands in reliance on Article 3(2) of the Prospectus Directive unless:
  - (a) such offer is made exclusively to legal entities which are qualified investors (as defined in the Prospectus Directive and which includes authorised discretionary asset managers acting for the account of retail investors under a discretionary investment management contract) in The Netherlands; or
  - (b) standard exemption logo and wording are disclosed as required by article 5:20(5) of the Wft; or
  - (c) such offer is otherwise made in circumstances in which article 5:20(5) of the Wft is not applicable,

provided that no such offer of Notes shall require the Issuer or any Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expressions (i) an "offer of Notes to the public" in relation to any Notes in the Netherlands; and (ii) "Prospectus Directive", have the meaning given to them above in the paragraph headed with "Public Offer Selling Restriction Under the Prospectus Directive".

8. Each Agent appointed under this Program will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in

any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any other Agent appointed under the Program shall have any responsibility therefor.

The Issuer and any Agent appointed under the Program represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Agent will be required to comply with such other restrictions as the Issuer and the relevant Agent shall agree and as shall be set out in the applicable Final Terms.

There is no undertaking to register the Notes hereafter and they cannot be resold except pursuant to an effective registration statement or an exemption from the registration requirements of the Securities Act. Each purchaser of the Notes offered hereby in making its purchase shall be deemed to have made the acknowledgments, representations and agreements as set forth under "*Notice to Purchasers*".

ABN AMRO Bank is not a registered broker-dealer in the United States. Accordingly, ABN AMRO Bank will effect sales of any Notes to be purchased by it outside the United States in accordance with Regulation S.

## **LEGAL MATTERS**

Certain matters with respect to the establishment of the Program and the issue of the Notes thereunder have been passed upon for the Issuer by their United States and Dutch counsel, Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS and Strawinskyiaan 10, 1077 XZ Amsterdam, The Netherlands. Certain legal matters relating to establishment of the Program and the issue of Notes thereunder have been passed upon for the Agents by their U.S. counsel, Sidley Austin LLP, Woolgate Exchange, 25 Basinghall Street, London EC2V 5HA, United Kingdom and their Dutch counsel, Clifford Chance LLP, Droogbak 1A, 1013 GE Amsterdam, The Netherlands.

## GENERAL INFORMATION

### Authorization

The establishment of, and the issue of Notes under, the Program have been duly authorized by a resolution of the Supervisory Board and Managing Board of the Issuer dated 6 April 2010 and 10 May 2010, respectively. All consents, approvals, authorizations or other orders of all regulatory authorities required by the Issuer under the laws of The Netherlands have been given for the issue of Notes and for the Issuer to undertake and perform its obligations under the Private Placement Agreement, the Amended and Restated Agency Agreement and the Notes.

### Corporate information

ABN AMRO Bank N.V. was incorporated on 9 April 2009 by ABN AMRO Holding (renamed RBS Holdings N.V.). ABN AMRO Bank N.V. is a private limited 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 Chambers of Commerce under number 34334259.

At 31 December 2009 the shares in the share capital of ABN AMRO Bank were held by ABN AMRO Holding. The shares in the share capital of ABN AMRO Bank were transferred by ABN AMRO Holding to ABN AMRO Group N.V. on the date of the Legal Separation. ABN AMRO Bank was incorporated for the purpose of acquiring businesses of the former ABN AMRO group which were allocated to the Dutch State and carrying out banking activities as defined in the articles of association.

### Main shareholder and change of control

ABN AMRO Group N.V. is ABN AMRO Bank's sole shareholder. Following the Legal Merger, ABN AMRO Bank is the only direct subsidiary of ABN AMRO Group N.V. and ABN AMRO Group N.V. has no significant activities other than holding the shares in ABN AMRO Bank. The managing board and the supervisory board of ABN AMRO Group N.V. are composed of the same members as ABN AMRO Bank. See "*The Issuer—Management and Governance*".

As of the date of this Base Prospectus, the shareholders of ABN AMRO Group N.V. are the *stichting administratiekantoor beheer financiële instellingen* (the "**Foundation**") and ABN AMRO Preferred Investment B.V. The Foundation holds all issued ordinary shares and ABN AMRO Preferred Investment B.V. holds all class A non-cumulative preference shares. The Foundation controls ABN AMRO Preferred Investment B.V. with 70% of the votes via shares with priority rights. The Foundation controls 97.8% of the combined voting power in ABN AMRO.

### Listing

Application has been made to Euronext in Amsterdam for Notes issued under the Program and up to the expiry of 12 months from the date of this Base Prospectus to be admitted to trading and to be listed on Euronext in Amsterdam.

### **Documents available**

So long as Notes are capable of being issued under the Program, copies of the following documents will, when published, be available, free of charge, from the registered office of the Issuer:

- (i) an English translation of the Certificate of Incorporation and 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 the Issuer and the most recently available unaudited interim financial statements of the Issuer
- (iv) the Amended and Restated Agency Agreement (which contains the forms of the Notes);
- (v) a copy of this Base Prospectus.
- (vi) in the case of each issue of listed Notes subscribed, the applicable Final Terms and/or Pricing Term Sheet; and
- (v) the terms and conditions (including the form of final terms) set out on pages 132-164 of the base prospectus prepared by the Issuer in connection with the Program dated 12 November 2010.

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

### **Notices**

All notices regarding the Notes shall be in accordance with any applicable rule or regulation or decree by a governmental body and the rules and customary procedures of the Stock Exchange or applicable clearing system and need not be given by mail unless required by the rules of the Stock Exchange or applicable clearing system. See also Condition 12 of the Notes.

### **Clearing and settlement systems**

The Notes may be accepted for clearance through DTC, Euroclear, Clearstream, Luxembourg or any other relevant clearing system (which will be the entity in charge of keeping the records). The appropriate CUSIP number, together with ISIN's and Common Codes, if applicable, will be contained in the Pricing Term Sheet or Final Terms, as the case may be, relating thereto. The applicable Pricing Term Sheet or Final Terms, as the case may be, shall specify each clearing system which has accepted the relevant Notes for clearance together with any further appropriate information. See also the more detailed discussion of settlement arrangements for the Notes under “*Book Entry, Delivery, Form and Settlement—Depositary Procedures*”.

The address of DTC is 55 Water Street, New York, New York 10041, USA, the address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855 Luxembourg.

### **Conditions for determining price**

The price and amount of any issue of Notes to be issued under the Program will be determined by the Issuer and the relevant Agent at the time of issue in accordance with prevailing market conditions.

### **Significant or material change**

There has been no (i) material adverse change in the Issuer's prospects or (ii) significant change in the financial position of the Issuer and its subsidiaries since 31 December 2010.

### **Auditors**

The annual financial statements of ABN AMRO Group N.V. for the financial year ended 31 December 2010 (including the comparative 2009 financial statements) have been audited all without qualification by KPMG Accountants N.V., chartered accountants (registeraccountants) ("KPMG"). The interim financial statements of ABN AMRO Group N.V. for the six month period ended 30 June 2011 (including the comparative 2010 financial statements) have been reviewed all without qualification by KPMG. KPMG's address is P.O. Box 74500, 1070 DB Amstelveen, The Netherlands. The individual auditors of KPMG are members of the Dutch Professional Association of Accountants (Nederlandse Beroepsorganisatie van Accountants, "NBA". KPMG has given, and has not withdrawn, its consent to the inclusion of its report in this Base Prospectus in the form and context in which it is included. As the offered Notes have not been and will not be registered under the Securities Act of 1933, KPMG Accountants N.V. has not filed a consent under the Securities Act of 1933.

### **Post-issuance information**

Save as set out in the Final Terms and/or Pricing Term Sheet and other information described under "*Available Information*", the Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

### **Substitution of the Issuer**

The Issuer may, under certain conditions, as set out in the Terms and Conditions of the Notes, be replaced and substituted by any directly or indirectly wholly owned subsidiary of the Issuer.

### **Legal and arbitration proceedings**

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

## DEFINITIONS

In this Base Prospectus, unless the context otherwise requires:

"**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. (formerly known as "ABN AMRO II N.V.").

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

"**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.

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

"**Annual Financial Statements 2010.**" refers to ABN AMRO Group N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2010 (as set out on pages 131 to 137 in relation to the financial statements 2010, including the notes to the financial statements as set out on pages 168 to 257 and the paragraphs in Chapter 7 ("Risk management") on pages 62 to 101 other than those captioned "unaudited"), the summary of the accounting policies as set out on pages 138 to 167, and the auditors' report on pages 258 and 259, all as included in ABN AMRO Group N.V.'s Annual Report 2010).

"**BNP Paribas Fortis.**" refers to Fortis Bank SA/NV, a consolidated subsidiary of BNP Paribas Group.

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

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

"**Dutch State-acquired businesses**" refers to the businesses of ABN AMRO Holding acquired by the Dutch State.

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

"**EC Remedy Businesses**" refers to New HBU II, NV ("**HBU II**") and IFN Finance BV ("**IFN Finance**").

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

"**Former ABN AMRO Group**" refers to the ABN AMRO Holding group of companies headed by ABN AMRO Holding N.V. as acquired on October 17, 2007 by a consortium of banks through RFS Holdings B.V.

"**Former ABN AMRO Bank N.V.** " refers to the entity which was part of the Former ABN AMRO Group, which was renamed after the Legal Separation "**RBS N.V.** " and is part of The Royal Bank of Scotland Group plc ("**RBS Group**") since the Legal Separation.

"**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.** ").

"**Foundation**" refers to the Stichting Administratiekantaar beheer financiële instellingen which holds the shares of ABN AMRO Group N.V. and ABN AMRO Preferred Investments B.V.

"**Legal Demerger**" refers to the legal demerger effectuated on February 6, 2010 in accordance with the demerger proposal filed with the Amsterdam Chamber of Commerce on September 30, 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 July 1, 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.

"**Prospectus Supplement**" refers to any supplement to the Base Prospectus.

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

"**Shared assets**" refers to assets and liabilities that have not yet been settled between the Consortium members and in which each of the Consortium members has a joint and indirect interest.

"**2010 PD Amending Directive**" means Directive 2010/73/EU.

## **Abbreviations**

AFM	Autoriteit Financiële Markten (Netherlands Authority for the Financial Markets)
AFS	Available-for-sale
ATM	Automated teller machine
BIS	Bank for International Settlements
bp	Basis point
BU(s)	Business Unit(s)



CAD	(the EU's) Capital Adequacy Directive
CDS	Credit default swap
CRD	(the EU's) Capital Requirements Directive
CWC	(Dutch) Central Works Council
DNB	De Nederlandsche Bank N.V. (Dutch Central Bank)
DNO	Declaration of no-objection
EBITDA	Earnings before interest, taxes, depreciation and amortization
ECM	Equity Capital Markets
ESC	European Staff Council
EU	European Union
EUR	Euro
DTC	The Depository Trust Company
FTE	Full-time equivalent (a measurement of number of staff)
FX	Foreign exchange
GAAP	General Accepted Accounting Principles
GBP	Great Britain pound
GRM	Group Risk Management
HR	Human Resources
HTM	Held-to-maturity
IAS	International Accounting Standards
IBNI	Incurred-but-not-identified
ID&JG	International Diamond & Jewelry Group
IFRIC	IASB International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IP	Internet Protocol
IT	Information Technology
LIBOR	London Interbank Offered Rate
M&A	Mergers & Acquisitions
MD	Managing director
MiFID	(the EU's) Markets in Financial Instruments Directive
NSS	New Safekeeping Structure
OECD	Organization for Economic Cooperation and Development
OFAC	(US) Office of Foreign Assets Control
OTC	Over-the-counter
PE	Private Equity
ROE	Return on equity
RWA	Risk-weighted assets
SEC	(US) Securities and Exchange Commission
SEPA	Single Euro Payments Area
SMEs	Small to medium-sized enterprises
SPE	Special purpose entity
TRS	Total return to shareholders
USD	US dollar

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