ABN·AMRO

Annual Report 2014

ABN AMRO Bank N.V.

Notes to the reader

Introduction

This is the Annual Report for the year 2014 of ABN AMRO Bank N.V. (ABN AMRO or ABN AMRO Bank). ABN AMRO is a wholly owned subsidiary of ABN AMRO Group N.V. (ABN AMRO Group).

The objective of this annual report is to comply with regulatory requirements.

The Dutch Civil Code (Book 2, Article 408) was amended in 2014. All entities with financial instruments that are issued and quoted at regulated markets are no longer exempt from publishing consolidated financial statements. As a result, ABN AMRO is required to publish audited consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

ABN AMRO still applies the group exemption (Dutch Civil Code, Book 2, Article 403) for its statutory financial statements. ABN AMRO Group accepts joint and several liability for debts of ABN AMRO arising from legal acts through a so-called 403 declaration. Furthermore, the consolidated financial statements of ABN AMRO Group in accordance with EU IFRS are publicly available. As a result, ABN AMRO is only required to publish its statutory financial statements in an abbreviated format, containing at least an abbreviated income statement and an abbreviated statement of financial position.

The Annual Report includes the Managing Board report, Supervisory Board report, the Pillar 3 report, and the audited consolidated financial statements, as well as unaudited statutory financial statements.

Presentation of information

This Annual Report complies with the financial reporting requirements included in Title 9, Book 2 of the Dutch Civil Code, where applicable. The Consolidated Annual Financial Statements contained in this Annual Report have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Some chapters in the Risk & Capital report of this Annual Report contain audited information and are part of the Consolidated Annual Financial Statements. Audited information in these sections is labelled as 'audited' in the respective headings. The statutory financial statements comply with Title 9, Book 2 of the Dutch Civil Code, and use the EU IFRS valuation principles that are applied in the consolidated annual financial statements.

As of 2014, capital metrics and risk exposures according to Basel are reported under the Basel III (CRR/CRD IV) framework. Comparative figures for 2013 are reported according to Basel II. Where applicable, we have provided pro-forma figures for comparison purposes.

Management has adopted a view to provide a better understanding of the underlying trends in financial performance. The results reported in accordance with EU IFRS have been adjusted for defined special items.

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

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

Other publications

Furthermore, the annual report of ABN AMRO's parent company, ABN AMRO Group N.V. including audited consolidated financial statements is available on abnamro.com/ir.

For a download of this report or more information, please visit us at abnamro.com/ir or contact us at investorrelations@nl.abnamro.com.

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ABN AMRO at a glance

Who we are
ABN AMRO is a full-service bank with a primary focus on the Netherlands and selective operations internationally. We serve retail, private and corporate banking clients based on our in-depth financial expertise and extensive knowledge of numerous industry sectors.

History
ABN AMRO has a long-standing history in banking and roots that go back for centuries. Following various legal and operational separations, combinations and restructurings, ABN AMRO is now a leading Dutch bank. Our business profile and international footprint has changed while our historic roots and strong brand name remain.

Employees
22,215 FTEs

Our businesses
- Retail Banking;
- Private Banking;
- Corporate Banking.

Global headquarters
Amsterdam, The Netherlands

Shareholders
All shares in the capital of ABN AMRO Bank, representing 100% of the voting rights, are held by ABN AMRO Group. Ultimately, all shares in the capital of ABN AMRO Group are held by the Dutch State through a foundation named NLFI. NLFI is responsible for managing these shares and exercising all rights associated with these shares under Dutch law, including voting rights.

Corporate governance structure
Two-tier board consisting of a Supervisory Board and a Managing Board.

Credit ratings ABN AMRO Bank
- S&P: A/negative/A-1
- Moody's: A2/negative/P-1
- Fitch: A+/negative/P-1
- DBRS: A(high)/Stable/R-1(middle)

Our conduct

Core values
Our identity is reflected in our core values, which are embedded in our culture:
- trusted;
- professional;
- ambitious.

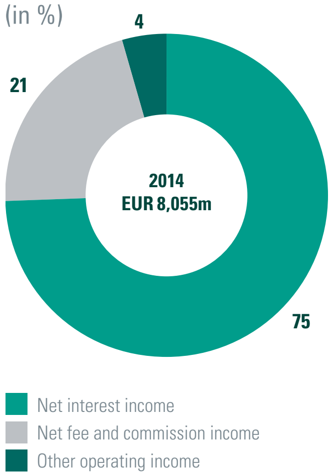
Business principles
- I aim to provide my clients with **the best solutions**
- I build relationships through **collaboration**
- I take **responsibility**
- I am a **passionate** professional
- I only take **risks** I understand
- I am committed to **sustainable** business practices

Our goals
To be a full-service bank with a leadership role in the Dutch market. Internationally, we aim to be a capability-led bank in selected businesses and geographies.

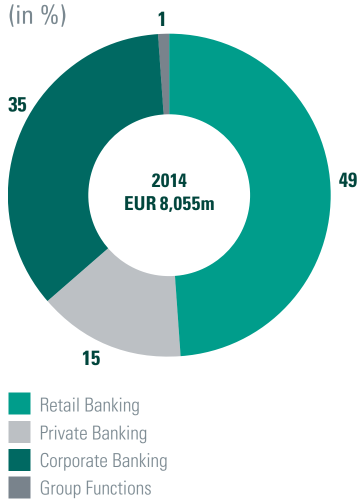
Our strategic priorities

Key figures

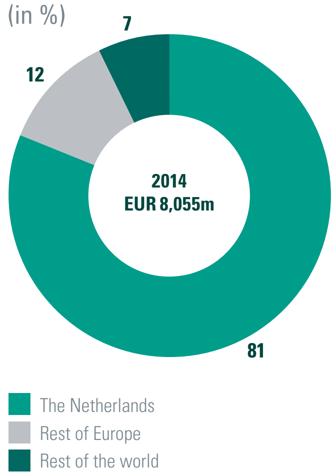
Operating income by type of income
(in %)



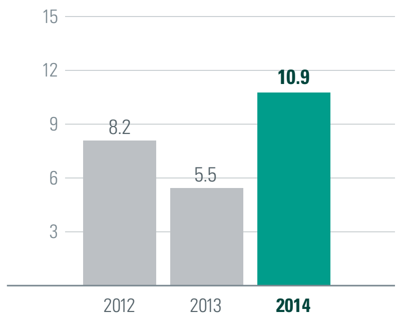
Operating income by business segment
(in %)



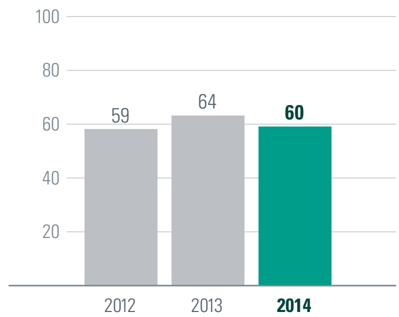
Operating income by geography
(in %)



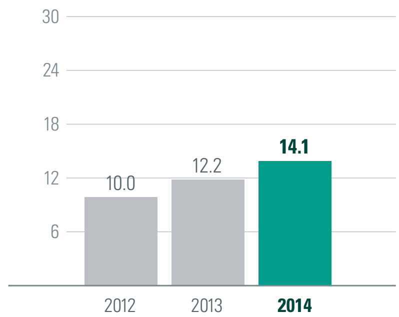
Underlying return on equity
2017 target range 9-12 (in %)



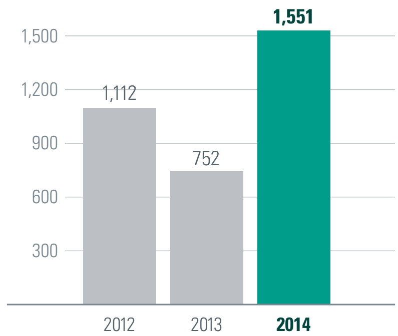
Underlying cost/income ratio
2017 target range is 56-60 (in %)



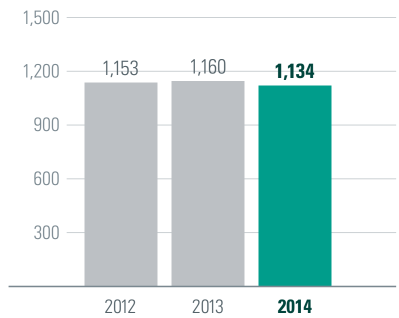
CET1 (fully-loaded)
2017 target range is 11.5-12.5 (in %)



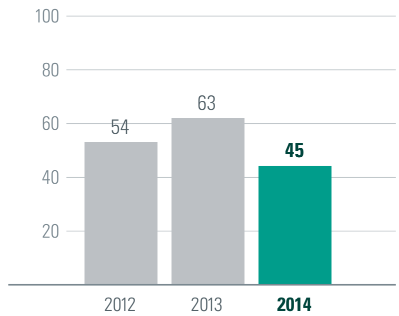
Underlying net profit
(in millions)



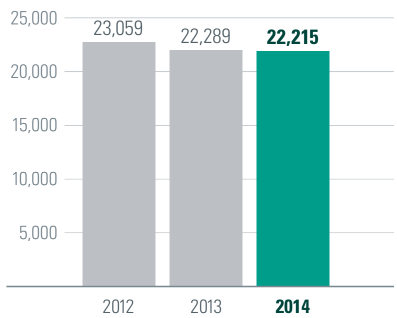
Reported net profit
(in millions)



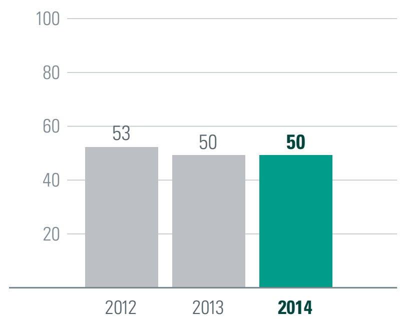
Underlying cost of risk
(in bps)



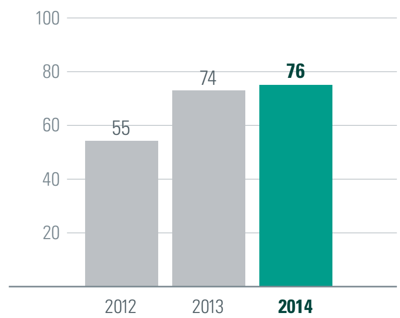
Employees
(in FTEs)



Client satisfaction
(in % client ratings >8)



Employee engagement
(in %)



message from the Chairman of the Managing Board

We devoted 2014 to further implementing our long-term strategy. This includes a deep focus of enhancing client centricity and continuously improving the quality of our products and services as well as the – less visible – IT and back-office processes. We made progress across the board in preparing ABN AMRO for the years ahead, and we are well on our way to meeting the targets set for 2017.

Operating environment

The environment in which we operated in 2014 was volatile. The Dutch economy gained momentum in the second half of 2013 and showed modest growth in 2014. Factors that had hampered growth in the past – austerity measures (government cutbacks, tax increases), uncertainty in the housing market and pension issues – were at play to a lesser extent in 2014. Yet the recovery was fragile, and by its very nature, the economy is difficult to predict. To be prepared for unforeseen events, we seek to achieve financial and operational agility at all times. This is also reflected in the target capital and liquidity ratios which we have set for the bank.

The highly demanding and ever-changing regulatory landscape, meanwhile, posed a challenge of a very different nature. The financial industry is subject to increasingly detailed rules and regulations. The costs involved in meeting these requirements are twofold: on the one hand, banks are required to pay various recurring mandatory charges (for instance the Dutch bank tax, EU Deposit Guarantee Scheme and European Resolution Fund). All of this is expected to amount to at least EUR 250 million in 2015, compared with EUR 91 million for the Dutch bank tax in 2014. On the other hand, compliance with these regulations involves additional operational and administrative efforts and, consequently, costs on our part. On top of that, we were also faced with higher costs for capital, liquidity and funding buffers in 2014, and these will only increase in the future. The positive side of stricter regulation is that banks will be able to withstand bigger economic and market shocks, which should inspire greater trust in the banking industry, and the move to European supervision should produce a more level playing field.

Yet while the supervisory authorities are requiring us to deliver new and highly detailed information, clients experience the requirement to provide comprehensive information to the authorities as a violation of their privacy. We are steadily embedding a values-driven culture across our organisation, and the tension between principles-based and rules-based compliance is a challenge we must address every day. Our response to the risk of 'box-ticking' is to promote a culture of ethics and integrity. We are doing so by entrenching our core values and business principles at every level of the organisation, incorporating accountability into performance appraisals and building engagement among staff.

Moving forward

Amid this dynamic and demanding environment, our long-term strategy is keeping us on a steady course as we face the challenges of the future. A detailed discussion of our strategy is provided in the Strategic Report. Our strategy is based on five priorities: enhance client centricity, invest in our future, strongly commit to a moderate risk profile, pursue selective international growth, and improve profitability.

While each of these five priorities is a key ingredient for the success of our bank, the most important is the first: enhance client centricity. We took various initiatives bank-wide in 2014 to put our clients' interests centre stage in everything we do. Many of these initiatives are based on technological enhancements as the trend towards digitisation gains momentum. For instance, for our clients' convenience, we offer webcam mortgage advice six days a week, including evenings. In addition, we are renewing, simplifying and digitising many of our products and services and will intensify this in the future. Our clients increasingly prefer to conduct their banking business online. This is reflected in the ratings of our mobile and online applications, which have consistently been very high. In the coming years, we intend to invest an additional EUR 150 million to further accelerate digitisation of most of our retail services, meeting our clients' needs and making their lives easier.In the annual client satisfaction survey, scores for client centricity rose from 52% to 53%, while client satisfaction remained stable compared with 2013, with 50% of clients rating our services favourably at scores of 8 and above. Our ambition is to build on our client-centric approach and make our clients promoters of the bank by giving them the best experience. More information on initiatives to achieve those ambitions can be found in our Business Report. In the year ahead, we intend to implement the Net Promoter Score (NPS) methodology in most of our business segments in line with our ambition.

Digitising our online and mobile banking services is primarily a way for us to better meet our clients' needs, but at the same time it is an investment in our future. We also invested in our future in 2014 by further pursuing our Top Class Employer strategy, helping us to attract and retain some of the most talented people in the industry. Among many other initiatives, described elsewhere in this report, we offer our employees a varied range of training courses designed to maintain and improve their skills and knowledge. Our efforts in this area are paying off, as witnessed by the rising scores in various aspects of our Employee Engagement Survey.

Investments in our future also include broad-ranging initiatives in the areas of sustainability and transparancy. This past year, we decided to integrate environmental, social and governance (ESG) factors into all of our investment advice as of mid-2015. In addition to our existing sector policies, we also introduced sustainability criteria into our credit application policies for the energy, real estate and manufacturing sectors. Sustainable Assets under Management accounted for EUR 5.3 billion in 2014 and we aim to increase this amount in the future. On the environmental front, we reduced our energy consumption by 31% in 2014 compared with 2012. Our progress was recognised in 2014 by sustainable rating agencies.

As for our operations outside the Netherlands, we strengthened our international Private Banking business by completing the acquisition and integration of the domestic private banking activities of Credit Suisse in Germany into Bethmann Bank, our local private bank in Germany. Bethmann Bank is now the third largest private bank in Germany, and Neuflize is the third largest in France. The ECB's Asset Quality Review and stress test were one of the regulatory milestones of 2014. The AQR and stress test were carried out in the run-up to all major eurozone banks being brought under the supervision of the European Central Bank. ABN AMRO comfortably passed the AQR and the stress test.

Financial results for 2014

We made good progress towards the financial targets set for 2017. The full-year underlying net profit doubled to EUR 1,551 million, with all businesses having shown higher results. Increased interest margins and loan volumes (on average), resulted in an 8% rise in operating income. The cost/income ratio improved by four percentage points to 60%, at the upper end of the targeted range we set for 2017. The initial recovery of the Dutch economy resulted in a decrease in the level of loan impairments, underpinning the recession management measures we have taken to adhere to our moderate risk profile. The underlying return on equity for 2014 was 10.9%, within our target range for 2017 of 9-12%. The capital position, measured by a fully loaded CET1 ratio of 14.1%, exceeded the targeted level for 2017 and provides us with a cushion for possible regulatory changes.

Going forward we will continue to pursue our strategy and ambitions with the same passion and resolve. None of our results would be possible without the loyalty and trust of our clients, or the perseverance of our employees. We value their continued faith in our bank.

Gerrit Zalm
Chairman of the Managing Board

message from the Chairman of the Supervisory Board

2014 was a volatile year marked by fragile economic recovery. Consumer spending recuperated and the housing market demonstrated an upward trend. At the same time, banks needed to adapt to continued rapid technological developments and a tighter regulatory framework. The impact of these developments on ABN AMRO and the realisation of its strategic ambitions were continuous points of attention for the Supervisory Board in 2014. Furthermore, restoring trust is one of the most important challenges facing banks, one that requires a dialogue with society. The trust-related themes of client centricity and sustainability were recurrently on the strategic agenda in 2014.

This is the first time that I have the honour of writing this letter in the ABN AMRO Annual Report, after the announcement in 2013 of the pending retirement of Supervisory Board Chairman Hessel Lindenbergh. I was appointed as Chairman in 2014. I hope to make as valuable a contribution to the organisation as that of Mr Lindenbergh. On behalf of all members of the Supervisory Board, I would like to thank Mr Lindenbergh for his dedicated guidance and the work he did for ABN AMRO in a turbulent and challenging period in which the bank underwent major changes.

In 2014, the Supervisory Board closely monitored the development of the bank's financial results and the status of the implementation of the long-term strategy. The Managing Board actively worked towards realising solid financial results and focused on maintaining margins and containing costs. With these efforts, ABN AMRO is building a sustainable foundation for the future. The Supervisory Board specifically monitored the level of loan impairments and how they are contained. Loan impairment charges were high in 2013, while the cautious economic recovery supported a clear reduction of these charges in 2014. The accuracy and soundness of ABN AMRO's impairment policy is evidenced by the Asset Quality Review (AQR), part of the comprehensive assessment of the European Central Bank (ECB).

We are pleased with the outcome of the AQR. ABN AMRO's loan portfolio is considered to be generally conservatively impaired, well capitalised and with sufficient buffers to absorb losses and economic shocks. The results testify to the bank's prudent risk management approach. Furthermore, the Supervisory Board ascertained that the bank made substantial progress in meeting increasingly strict regulatory requirements in 2014.

The European Commission took major steps in 2014 towards creating the European Banking Union. The goal is to create coherent and effective Europe-wide supervision of the European banking sector. The Single Supervisory Mechanism (SSM) places the ECB as the central prudential supervisor of financial institutions in the eurozone. At the same time, the single rulebook of the European Banking Authority (EBA) comprises rules and legislation that set capital requirements for banks, ensure better protection for depositors, and regulate the prevention and management of bank failures. This adds to the robustness of the financial sector in Europe and the formation of a level playing field, which is welcomed by the Supervisory Board.

On several occasions in 2014, the Managing Board informed the Supervisory Board about programmes and activities aimed at further increasing the robustness and efficiency of financial and regulatory reporting.

Furthermore, the Supervisory Board assured itself that ABN AMRO is sufficiently aware of the urgent need for innovation in a rapidly changing world when it comes to these matters. The overall impact of these programmes and activities was discussed and challenged throughout the year.

In 2013, the Dutch Minister of Finance requested ABN AMRO to start making preliminary preparations for a possible IPO of ABN AMRO Group. This marked the beginning of a new and exciting stage in the bank's development. The Managing Board established an IPO programme to carry out and supervise these preparations. The Supervisory Board has been closely monitoring the preparatory activities and the bank's readiness for the IPO. We are pleased with the valuable discussions we had with the Managing Board, our joint external advisors, supervisors and NLFI. I also highly appreciate the open and constructive dialogue with the Employee Council on this topic. In this light, we are confident that the bank is making good progress in its preparatory activities and is on track to launch an IPO in accordance with the prevailing planning. While a dedicated team gave considerable attention to the preparations for the IPO, the Supervisory Board frequently monitored matters to ensure that this process did not interfere with the bank's core duties and processes and the care for our clients.

Many of the themes and developments mentioned in this letter are closely related to and integrated into the corporate strategy that has been set for 2017 and which was endorsed by the Supervisory Board in 2013. Monitoring implementation of this strategy is a key task of the Supervisory Board. Each of the strategic priorities was translated into initiatives and actions that are monitored closely by the Managing Board and the Supervisory Board. Based on this and other activities, the Supervisory Board assures itself of both the financial and non-financial progress the bank is making.
The cornerstone of ABN AMRO's strategic goals lies in the bank's core values and business principles. These values and principles are key in creating a culture that promotes client centricity and customer excellence. In our opinion, client centricity is of eminent importance in restoring the public's trust in the financial industry.

The role of ABN AMRO in society received our special attention in 2014. Besides the strategic goal to strengthen ties with clients and prospects, ABN AMRO is keen to add value to other stakeholders and society at large, thus creating a better bank in a better world. Sustainability is therefore an integral part of our strategy and business processes. Transparency, accountability and sustainable business practices are of paramount importance.
Our focus and actions are reported in depth in our Sustainability Report 2014.

With regard to the composition of the Managing Board, the terms of most members expired in 2014.
Mr Van Dijkhuizen was appointed as a member of the Managing Board in 2013. We proposed the reappointment of all other members of the Managing Board for another period of four years. They have demonstrated their knowledge, experience and competence in highly challenging times in recent years.

With regard to the composition of the Supervisory Board in 2014, Mr Wakkie assumed my prior role as Vice-Chairman of the Supervisory Board. In July 2014 we were happy to appoint a new member of the Supervisory Board, Olga Zoutendijk, for a period of four years. With her extensive international banking experience, I am certain Ms Zoutendijk will make a valuable contribution to our role in the realisation of ABN AMRO's strategic objectives. All other members of the Supervisory Board whose term ended in April 2014 were reappointed. In this process, the members' tenures were diversified to support better continuity.

More information on the activities and focus areas of the Supervisory Board is provided in the Supervisory Board report. This report also includes information on the process of our Board performance review.

I would like to take this opportunity to thank all ABN AMRO employees for their continued dedication in serving the interests of our clients and other stakeholders of the bank. Looking back at 2014, multiple challenges emerged which were effectively addressed by the members of the Managing Board, my colleagues in the Supervisory Board and the organisation at large. This reflects the tremendous effort and commitment of all involved to make continuous progress. I would like to thank everyone and look forward to their continued support and collaboration in 2015.

On behalf of the Supervisory Board,

Rik van Slingelandt
Chairman of the Supervisory Board

strategic report

In a challenging economic and regulatory environment, our strategy should address the opportunities and threats presented by our environment. This report highlights selected trends, our profile, strategic priorities and our achievements so far.

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key trends

This selection of trends could affect ABN AMRO's strategy, execution and business model going forward.

Macroeconomic trends

After having contracted for the previous two years, gross domestic product (GDP) in the eurozone inched up in 2014. Unlike in 2012 and 2013, growth of the Dutch economy kept pace with the eurozone, growing slightly in 2014. Private consumption and investment in the Netherlands picked up. The export sector was once again the pacesetter, having benefitted from an upturn in global trade.

The prospects for the Dutch economy in 2015 look positive. The United States is expected to remain on its steady growth path, and emerging economies and the eurozone could benefit from this. Lower energy prices and a depreciated euro are expected to help the Netherlands achieve higher growth in all market sectors in 2015 than in 2014, as the domestic drags on the economy (housing market, government cutbacks and pension problems) have clearly weakened.

ABN AMRO is particularly sensitive to the state of the Dutch economy, an open and mature market well positioned for recovery, though with limited upside in GDP growth. This underlines the strategic importance of maintaining our strong capital and liquidity position, while selectively growing the business outside of the Netherlands.

On a broader level, we will continue to monitor the following risks (in random order):

- re-ignition of the euro crisis;
- risk of deflation in the eurozone;
- interest rate increases in the US;
- hard landing of China's economy;
- contagion effects from geopolitical developments around Europe, Asia, the Middle East and Russia;
- potential effects of the ECB's Quantitative Easing (QE).

Regulatory and supervisory trends

Under the Single Supervisory Mechanism (SSM) implemented in November 2014, prudential supervision over the largest banks established in EU member states has been transferred to the ECB. The ECB is expected to dominate the regulatory agenda and to focus on topics besides capital, liquidity and risk exposure amounts. Supervision is moving from principles-based to rules-based standards and is expected to be much more data driven.

The complexity and number of regulations is expected to further increase. The evolving regulatory and supervisory landscape in the European Union (EU) is challenging for banks and there are concerns that this may lead to an uneven playing field with banks in other regions, such as the US and Asia.

ABN AMRO strongly focuses on timely implementation of and compliance with new rules and regulations in a cost-effective manner.

Technological trends

Clients increasingly prefer to use digital solutions and demand a multi-channel approach. Technological developments in areas such as mobile banking, social media, data analytics ('big data') and cloud computing create opportunities for banks to respond to changing client behaviour and needs.

The accelerating pace of innovation could pose challenges to the business model of established banks. Leveraging on new technologies, non-traditional banking players could cause disruptions within short time spans. Technology firms, which are not subject to the same regulatory controls imposed on banks, have already entered parts of the banking value chain. In the Dutch mortgage and savings markets, these non-traditional players have created increased competition.

In a world that is becoming ever more technologically connected, the increasing risk of cybercrime is driving the need for advanced security and detection measures.

ABN AMRO has decided to increase its investments in technology in order to grasp opportunities to better serve clients, create more value and respond to challenges posed by non-traditional banking players.

Social trends

The financial crisis damaged trust in the financial sector. As a result of this and other factors, society expects greater transparency in pricing, less complex products and better value. Clients are increasingly seeking products and services that fit their unique situation and expect a wider range of digital solutions and direct channels. There is also a growing demand for more environmentally friendly and socially responsible solutions.

Social networks and cooperative platforms, combined with a desire to be less reliant on banks, support the existence of collaborative finance platforms such as crowdfunding, peer-to-peer lending, social savings and social lending.

Rapid technological advances in social media, mobile banking, data analytics and cloud computing are helping banks to better serve clients by using personal data to perform individual profiling. As boundaries of privacy and data protection are being explored, banks need to be diligent in protecting clients' privacy and be sensitive to the evolving public concern and attitude towards sharing of personal data.

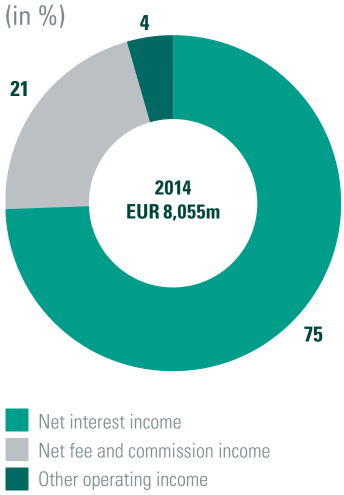
our profile

This section presents an overview of who we are, our values and the business principles which will guide us in achieving our mission and vision. We serve retail, private and corporate banking clients based on our in-depth financial expertise and extensive knowledge of numerous industry sectors.

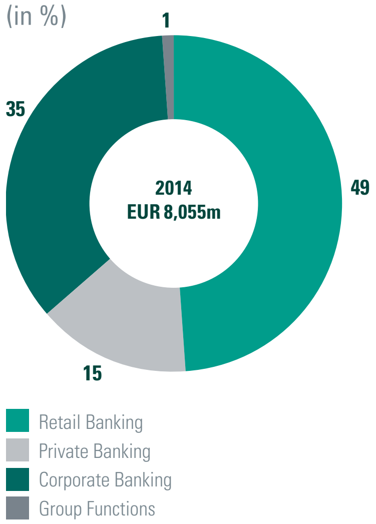
Description of ABN AMRO

ABN AMRO is a full-service bank with a primary focus on the Netherlands and selective operations internationally, employing 22,215 full-time staff. Based on our extensive knowledge of numerous industry sectors, we serve retail, private and corporate banking clients and offer in-depth financial expertise.

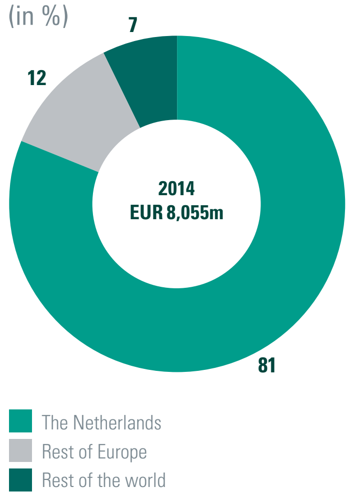
Operating income by type of income
(in %)



Operating income by business segment
(in %)



Operating income by geography
(in %)



With a long-standing history in banking and roots that go back for centuries, ABN AMRO emerged from the financial crisis as a leading Dutch bank. Our business profile and international footprint have changed while our historic roots remain. Today, we have a high degree of focus, operating domestically and in selected international markets under several strong brand names.

Our deep focus on the Netherlands is complemented by international operations where we have specific expertise and hold leading market positions in selected activities. In the Netherlands, we are a leading player in retail, private and corporate banking. Our client base is stable and generates recurring and resilient operating income, of which over 95% consists of interest, fee and commission income.

ABN AMRO targets a moderate risk profile, which is reflected in, among other things, three key elements: (i) a clean balance sheet, (ii) a clear risk governance structure and strong risk culture, and (iii) a solid capital and liquidity position. This is maintained and strengthened by strict risk appetite targets, a controlled and focused growth strategy for selected international activities, and disciplined capital allocation.

The Managing Board and senior managing directors collectively have over twenty years of experience in ABN AMRO across business segments or support functions or both. Their excellent track records are reflected in their leading the complex integration of ABN AMRO Bank and FBN on time and within budget while structurally reducing our cost base. Despite the complex integration process and the challenging economic environment at the time, ABN AMRO has delivered resilient operating income and created a solid capital and liquidity position with the support of its professional and highly engaged workforce.

Description of our business activities

ABN AMRO is organised into three business segments - Retail Banking, Private Banking and Corporate Banking - which are supported by Group Functions. Group Functions includes the support and control functions: TOPS (Technology, Operations & Property Services), Finance including ALM/Treasury, RM&S (Risk Management & Strategy), PR&I (People, Regulations & Identity), Group Audit, and Corporate Office.

ABN AMRO

Retail Banking
- Solid and recognised market position in the Netherlands
- 5,000,000 clients
- 300,000 businesses with up to EUR 1 million turnover
- 300 Retail branches, which includes Advice & Service Centres, 24/7 internet and mobile banking centres

Private Banking
- Market leader in the Netherlands; ranked 3rd in France, Germany and in the eurozone; with a solid position in selected countries in Asia and the Middle East
- 100,000 clients
- EUR 191 billion Assets under Management (AuM)
- Present in 10 countries with more than 50 branches

Corporate Banking
- Leading position in the Netherlands
- 70,000 commercial and international clients with annual turnover exceeding EUR 1 million across 15 defined sectors
- Operates in selective markets based on three specialities: Clearing, Energy, Commodities & Transportation, and asset-based financing
- Serving Dutch clients internationally through local Dutch Desks and partner banks

Group Functions
- TOPS (Technology, Operations & Property Services)
- Finance including ALM/Treasury
- RM&S (Risk Management & Strategy)
- PR&I (People, Regulations & Identity)
- Group Audit
- Corporate Office

Cooperation among business segments

Retail Banking, Private Banking and Corporate Banking work closely together to ensure that clients are served by the appropriate business segment and to enable efficient use of resources. Feeder channels arrange for the transfer of clients to the appropriate segment.

Retail Banking and Private Banking cooperate closely to deliver a seamless offering across all wealth categories in the Netherlands through institutionalised upstreaming and downstreaming of clients to the right segment. Product management teams – covering daily banking services, mortgages and wealth & advisory services – align products across the organisation and pursue synergies.

Corporate Banking and Retail Banking have a process in place to transfer business clients, always in close dialogue with these clients. Retail Banking provides a feeder channel of business clients to Corporate Banking based on annual turnover criteria and receives business clients who are better served by the retail service proposition.

Private Banking and Corporate Banking cooperate mainly by means of referrals. Corporate Banking introduces eligible business owners, shareholders and executives to Private Banking. Conversely, Private Banking refers business owners and executives to Corporate Banking for their business needs.

This cooperative environment allows for leveraging of technology and client and product solutions.

SWOT

The following SWOT summary provides a brief overview of ABN AMRO's capabilities and the environment in which it operates.

Strengths

- Leading player in the Dutch market as a full-service bank with strong core and local brands
- Low complexity, client-driven business model that generates resilient operating income
- Strong positions in selected international activities
- Experienced senior management with a proven track record in executing the integration of ABN AMRO Bank and FBN, supported by a professional and highly engaged workforce
- Diversified mix of activities combined with a solid liquidity position, well-capitalised and strong balance sheet contributing to a moderate risk profile

Weaknesses

- Large exposure to and dependence on the Dutch economy
- Growth opportunities in the Dutch home market limited by current leading position
- Solid but complex IT landscape following the integration of ABN AMRO Bank and FBN
- Suboptimal scale of businesses in a few countries

Opportunities

- Dutch economy well-positioned to benefit from continued momentum in the recovery in the global economy and the eurozone
- New technological developments can be leveraged to respond to changing client behaviour and needs
- Increasing client desire to be environmentally and socially responsible provides opportunities for new product development
- Lowered barriers to enter other EU markets as a result of the European Banking Union

Threats

- Potential macroeconomic and geopolitical headwind effects on the Netherlands and the eurozone
- Mature market combined with ageing population resulting in relatively limited GDP growth upside
- Regulatory pressure, complexity and volume of regulation
- New entrants in (parts of) the banking value chain with potentially disruptive effects from the accelerating pace of (technological) innovation
- Increased competition from incumbents and non-traditional players, especially in the mortgage and savings markets

Stakeholder management

ABN AMRO strives to put clients' interests first and to create long-term, sustainable value for all of our stakeholders, including clients, investors/shareholders, employees, the environment and society at large. We take the interests of these stakeholders seriously and believe it is our responsibility to manage the impact of our activities. In doing so, we focus on systematically balancing the bank's interests with those of our stakeholders. Our efforts are discussed in the Strategic priorities section of this Strategic Report.

Regularly engaging in a dialogue helps us to identify important areas for our stakeholders. We apply the materiality principle when discussing sustainability topics. This means that we focus on the issues that are most important to our key stakeholders and to our business, where we are actually in a position to influence the outcomes.

Our core values, mission, vision and business principles

Our core values are embedded in the company culture and reflect our identity. We want to be trusted by our stakeholders and be professional in everything we do, and we have the ambition to continuously improve.

Trusted

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

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

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

Professional

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

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

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

Ambitious

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

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

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

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

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

Our business principles translate our core values, mission and vision into our day-to-day actions.

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

strategic priorities

Our strategy is based on five priorities with targets set for 2017. The following section briefly describes each of the strategic priorities, including an overview of our achievements in 2014.

Strategic targets	Targets 2017	Results 2014
Return on equity	9% - 12%	10.9%
Cost/income ratio	56% - 60%	60%
CET1 ratio (fully-loaded)	11.5% - 12.5%	14.1%

Five strategic priorities

Enhance client centricity

- → Quality and relevance of advice
- → Using technology to better serve our clients
- → Continue Customer Excellence

Invest in our future

- → Re-engineer IT landscape & optimising processes
- → Positively recognised on sustainability and transparency
- → Recognised as top class employer

Strongly commit to a moderate risk profile

- → Optimise balance sheet
- → Further diversification
- → Good capital and liquidity position

Pursue selective international growth

- → Capability-led
- → Fitting moderate risk profile
- → Fitting efficiency focus

Improve profitability

- → Improve top-line revenues
- → Continuous focus on costs
- → Manage on the basis of risk-adjusted return

Enhance client centricity

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

In response to changing client needs in the Netherlands, we have implemented changes in our retail branch opening hours across the country, introducing evening and weekend hours. We have also extended our webcam advisory services to offer our clients greater flexibility and convenience. The digital Retail Banking platform is also used for the Private Banking website and app design in the Netherlands. Outside the Netherlands, we are developing an ambitious digital offering consisting of a blend of omni-channel services combined with personal interaction.

We have introduced environmental, social and governance (ESG) criteria in our investment processes, developed a sustainability indicator to help private banking clients make informed investment decisions and launched socially responsible products.

We continued to raise financial awareness through our Carefree Living (*Zorgeloos Wonen*) programme, by reaching out to an additional 25,000 clients facing potential arrears in 2014.

A strategic review was conducted for Capital Markets Solutions, resulting in the winding down of our Equity derivatives activities and a shift within Sales & Trading from a product-oriented focus to a more client-oriented focus.

We enhanced our sector-based approach in Corporate Banking to ensure that each client is assigned to one of the 15 sectors, benefiting from the pooling of knowledge and specialised services.

Throughout the year, we continued to focus on Customer Excellence (CE). Combining customer focus with operational excellence, this was applied across products and businesses in several countries.

We continuously take bank-wide initiatives to put our clients' interests centre stage in everything we do. In the annual client satisfaction survey, the score for client centricity rose from 52% to 53%, while client satisfaction remained stable compared with 2013, with 50% of clients rating our services favourably at scores of 8 and above. Our ambition is to build on our client-centric approach and make our clients promoters by giving them the best experience. In line with our ambition, we intend to implement the Net Promoter Score (NPS) methodology in most of our business segments in 2015.

Invest in our future

Re-engineering the IT landscape and optimising processes

The TOPS 2020 programme was launched in 2013 and aims to upgrade and simplify our IT landscape based on three aspirations: easiest to do business with, creating value through innovation and providing best-in-class productivity.

In 2014, we finalised the blueprint for the new IT landscape, which will be delivered in stages until 2020. This will simplify our IT landscape, increase our agility and reduce our cost base.

We extended our partnership with IBM in 2014. Under the new agreement, IBM intends to, among other things, implement and manage an on-premise cloud environment for ABN AMRO. The dedicated on-premise cloud will help us to improve our standard of service, achieve greater operational efficiencies and provide innovative products to our clients.

We expect to migrate the first applications to this cloud environment in 2015. We also expect to implement a new security concept designed to protect our employees' and clients' digital information.

Positively recognised position on sustainability and transparency

ABN AMRO aspires to achieve a positively recognised position on sustainability and transparency.
Our sustainability strategy supports this commitment and is based on four aspirations:

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

An inspired and engaged workforce is vital to the success of our strategy. To this end, we promote sustainability internally and encourage our staff to get involved.
Our efforts are clearly paying off: the score for sustainability in the Employee Engagement Survey for 2014 rose to 61% from 45% in 2013.

In 2014, we translated our sustainability aspirations into specific focus areas by implementing performance metrics and targets to support our sustainability strategy in practice. This will enable us to report on our progress in an increasingly concrete and transparent manner.
For example, we started developing the Sustainability Risk Management policy for investments, with a focus on environmental, social and governance (ESG) criteria. To further broaden the scope to include all of our investments, we aim to set a threshold for investments in line with the principles of the UN Global Compact.

We believe that value creation and sustainability go hand in hand, and we support entrepreneurs that share our vision. For example, our Social Impact Fund, which invests in social enterprises, was positively received. ABN AMRO Informal Investor Services brings together Private Banking clients and SMEs. Private Banking clients invest in these social enterprises and often offer advice as well.

In recent years, we have been focusing increasingly on tax matters, which is supported by the materiality analysis we performed in 2014. The prime issue here is whether or not internationally operating businesses pay their fair share of tax. To address this issue, we have increased transparency by publishing our tax principles on our website and providing country-by-country reporting on various income items. More information can be found in the Annual Financial Statements section in this report.

More details are provided in our Sustainability Report 2014.

Top Class Employer

Making a difference to our customers now and in the future requires a talented, committed workforce more than ever. Our Top Class Employer strategy aims to inspire employees to develop continuously and to make their own, unique contribution to the bank's sustainable growth. Employees who take ownership of these goals are our most valuable asset. They are at the heart of our ability to build long-lasting relationships with our clients. We have drawn up a roadmap with three aims:

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

Managers at every level of the company play a pivotal role in motivating employees to realise ABN AMRO's goals based on our corporate identity. They are the catalysts for change. Our leadership programmes help managers execute the strategy and develop an inspiring leadership style. ABN AMRO introduced the Leadership Qualities to clarify what is expected of our managers.

But simply possessing talent is not enough: it is every employee's responsibility to use their talent. Equally, it is the bank's responsibility to support every employee's professional development. We intend to introduce the Talent Identification Tool in 2015, a method to facilitate open dialogue between managers and staff.

To ensure that employees are given the opportunity to continuously improve their expertise and skills in a culture of excellence, we now offer talent development programmes to staff bank-wide rather than exclusively to a small group.

A new collective labour agreement was concluded with the trade unions to give employees the autonomy to personalise their working conditions, allowing them to create their best place to work.

We have evaluated our Top Class Employer strategy and are proud to report that we have improved on key metrics. Employee engagement scores rose further to 76% in 2014. In terms of gender diversity, we increased the percentage of women in senior and upper middle-management positions. Our efforts are reflected in the annual Dutch Intermediair Image Survey, as our position as a Top Class Employer in the Netherlands further improved in 2014.

Strongly commit to a moderate risk profile

ABN AMRO is committed to maintaining a moderate risk profile, which is reflected in, among other things, three key elements: (i) a clean balance sheet, (ii) a clear risk governance structure and strong risk culture, and (iii) a solid capital and liquidity position. Internationally, we focus on capabilities and geographies where we have a proven track record and a right to win.

We are pleased that our prudent risk management approach resulted in our comfortably passing the ECB's comprehensive assessment, which consisted of the Asset Quality Review and a stress test. This was carried out in preparation of the ECB taking over the supervisory role from DNB in November 2014.

We continued to optimise the sector-based risk approach throughout the Risk Management organisation based on improved risk knowledge and awareness. This has helped us to better monitor and manage portfolio intake and sector concentrations. This approach, together with the recovery of the Dutch economy, resulted in a decrease of loan impairments, primarily in our mortgage and business banking within Commercial Clients.

Bank-wide operational risk awareness was strengthened through rigorous training and e-learning programmes. This resulted from implementation of the Advanced Measurement Approach (AMA) for calculating operational risk exposure for internal purposes. The application for AMA status will be submitted to the regulators in 2015.

In late 2014, we formally applied to use the Internal Model Approach (IMA) for market risk in the trading book. While regulatory approval is pending, the approach is being applied for internal risk management purposes and for economic capital computations.

We review our risk appetite annually and continue to focus on actively managing it based on capital, liquidity and interest rate risks. We increasingly manage our bank based on risk-adjusted return on risk-adjusted capital (RARORAC) to ensure that our capital is employed in the most efficient way.

With the fourth profitable year in a row, we further improved our capital buffer. ABN AMRO had a fully loaded CET1 ratio of 14.1% at year-end 2014, which is above our target range of 11.5-12.5%.

Pursue selective international growth

ABN AMRO intends to grow in businesses where we have a strong and proven track record (capability-led growth) and that fit into our moderate risk profile. We intend to build upon the ABN AMRO brand awareness and aim to match our local assets and liabilities over time.

In 2014, we completed the integration of the private banking activities of Credit Suisse into Bethmann Bank, our private bank in Germany. Bethmann Bank is now the third largest private bank in Germany. We also entered into a strategic global agreement with IndusInd Bank Limited, a new generation Indian bank, to support our Asian private banking business.

In Austria, we introduced MoneYou, our retail banking online savings platform.

Clearing established a local clearing unit in Brazil to conduct clearing activities for existing clients and expanded further in the US by servicing existing and acquiring new clients.

ECT Clients further expanded in the US and Asia.

We set up new Leasing branches in the United Kingdom and Germany, employing local staff with a track record in these markets.

Improve profitability

The underlying cost/income ratio improved by four percentage points, from 64% in 2013 to 60% in 2014, which is at the upper end of the targeted range of 56-60% we set for 2017. This result was achieved thanks mainly to our re-pricing efforts, leading to margin improvements on products across most segments. Growth of net interest income more than offset the modest cost increase, leading to the improvement in the cost/income ratio.

Underlying ROE improved from 5.5% in 2013 to 10.9% in 2014, which is within the 9-12% target range for 2017. The full-year underlying net profit doubled to EUR 1,551 million, on the back of higher net interest income and lower loan impairments. The decrease in the level of loan impairments is the result of the initial recovery of the Dutch economy. In addition, we further strengthened our credit management, increased the level of early warning monitoring and improved our understanding of sector-specific risk by conducting extensive research and tightening credit requirements for new clients. These initiatives, together with the recovery of the Dutch economy, largely contributed to the improvement of net profit and ROE.

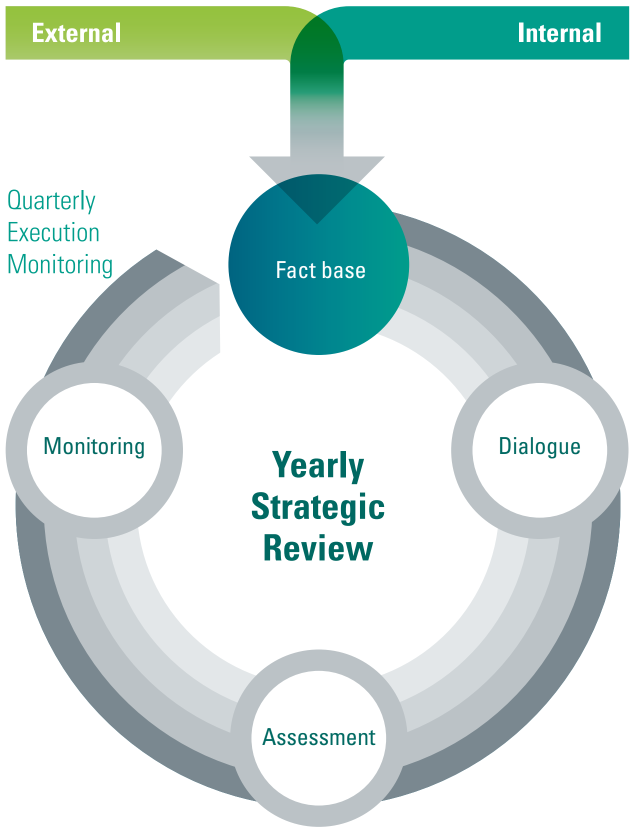
strategic governance

Below is an overview of the steps we take to assess, review and monitor the execution of our strategy.

We review the long-term strategy annually in the Yearly Strategy Review (YSR) to assess its validity and relevance. The Managing Board bases its discussions on external developments (macroeconomic trends, competitive analysis and country landscape) and internal developments. During the yearly review, the most notable developments are discussed in terms of their impact on the long-term strategy and whether corrective actions are required. In the 2014 Yearly Strategic Review, the Managing Board concluded that the bank's long-term strategy is still substantially in line with external and internal developments.

The Managing Board monitors execution of the long-term strategy throughout the year by means of Quarterly Execution Monitoring (QEM). The QEM process consists of three building blocks:
- high-level monitoring of selected initiatives;
- performance reviews;
- in-depth dialogue sessions.

The results of both the YSR and QEM are discussed and reviewed by the Supervisory Board as part of the corporate governance process. The Employee Council also receives updates on these results.



business report

This Business Report includes an overview of our operating environment, discussion and analysis of the results of operations, financial condition and business review of ABN AMRO and its different segments for the years 2014 and 2013.

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economic environment

This chapter provides an overview of the main economic developments and trends that had an impact on our operating environment and results.

Overview

The economic situation in the eurozone followed behind that in the US in 2014, and this is expected to be the case again in 2015. On the one hand, this is good news, as the US economy has continuously reported sound growth figures and growth in 2015 could outpace 2014. On the other hand, the difference between the two economies is disappointing. Higher growth figures are also expected in the Netherlands, where growth is taking place on an increasingly widening scale. The economy's performance has become less dependent on exports. The Dutch housing market climbed out of the slump in 2014, and house prices started to rise. Dutch banks saw a combination of stagnating growth in the volume of lending, slightly lower loan losses and improved margins.

Dutch economy regains balance

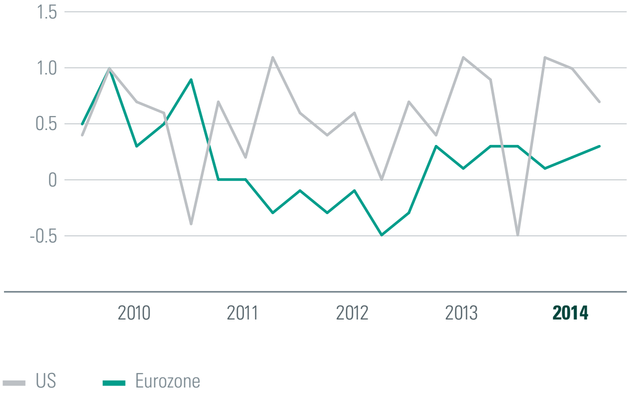
The Dutch economy presented a more balanced picture in 2014 than it did in previous years. Private consumption picked up, but the export sector remained the main driver of growth. Exports in 2014 benefited from strengthening global trade. According to the Netherlands Bureau for Economic Policy Analysis (CPB), growth of the world trade that is relevant to the Netherlands was approximately 2.5% to 3.0% in 2014, as compared with only 1.7% in 2013. The US economy reported significant economic growth for the third successive year in 2014. Emerging markets in Asia were the leaders of economic growth in 2014, while emerging Europe and Latin America disappointed due mainly to internal imbalances, geopolitical problems and falling commodity prices. The latter was caused chiefly by the fact that global demand for certain commodities lagged supply. Providers of commodities tend to respond to a decline in prices initially by increasing supply, as this allows them to sustain their cash flows.

The eurozone falters

After having contracted for the previous two years, GDP in the eurozone inched up in 2014. Growth was sluggish mainly in France and Italy, as was the pace of structural reforms in these countries. Spain performed much better on both fronts. Developments in France and Italy, political turmoil in Ukraine and the rising rate of the euro through May 2014 also affected Germany's economy. The recent slowdown of the dominant German economy, which is structurally sound and competitive, appears to have been caused largely by these non-recurring factors. Unemployment is very low historically, while wage growth seems to be accelerating. The Dutch economy is benefiting from this development. Germany imports more than one-fifth of the Netherlands' exports, making it by far the biggest foreign market for Dutch products.

The fast and the slow

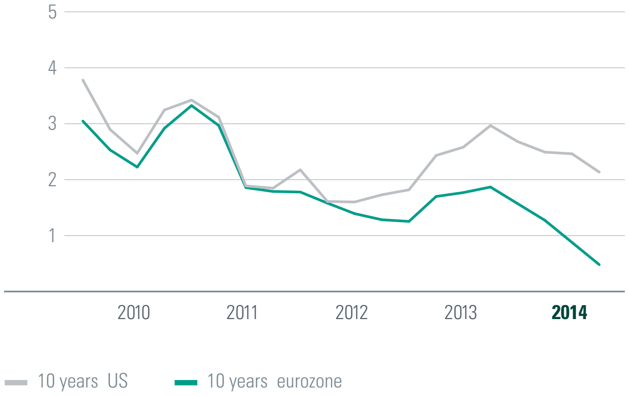
GDP growth (in % QoQ)



Source: Thomson Reuters Datastream

Diverging bond yields

Interest on ten-year government bonds (in %)



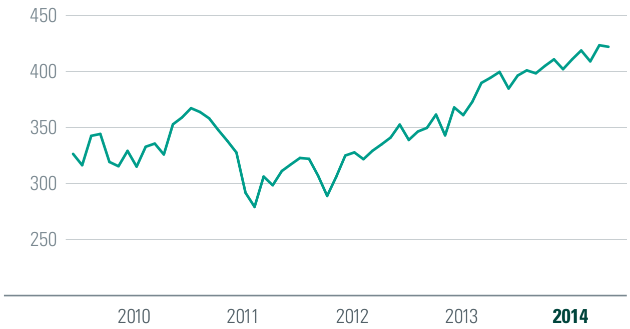
Source: Thomson Reuters Datastream

Interest rates fall even lower

In the eurozone, faltering growth went hand in hand with the risk of deflation, and plummeting oil prices intensified that pressure. In December 2014, consumer prices declined (year-on-year) for the first time since 2009. In response to downward pressure on prices, the European Central Bank (ECB) intensified its unconventional, relaxation measures, such as a negative deposit rate. This put downward pressure on interest rates in the eurozone. At the same time, the US central bank, the Fed, eased up. As a result, the gap between interest rates in the eurozone and rates on ten-year government loans in the US continued to widen. The diverging monetary policies – tightening by the Fed, relaxation by the ECB – made the dollar more attractive on the currency market. The consistent appreciation of the euro against the dollar has made way for depreciation since May 2014. The relaxed monetary policy of recent years has reduced stress on the financial markets and improved sentiment. This was reflected in developments on the equity markets in 2014. The trend of rising share prices, which set in in 2011, continued. Credit markets in the eurozone saw a shift from contraction of outstanding amounts to (near) stabilisation. At the same time, banks relaxed their lending conditions slightly in 2014.

AEX index continued to rise

(in index points)



Source: Thomson Reuters Datastream

Dutch domestic economy recovers

The Dutch economy grew slightly in 2014 (0.8% growth in GDP). Unlike in 2012 and 2013, growth kept pace with the eurozone. Exports were once again the pacesetter, benefiting from an upturn in global trade. Against a background of growing real disposable income, consumer spending finally improved. Relatively high inflation, government cutbacks and pension problems had held this down in the past, but these factors were hardly at play in 2014. In addition, the housing and job markets improved and investments grew, due mainly to an increase in industrial production.

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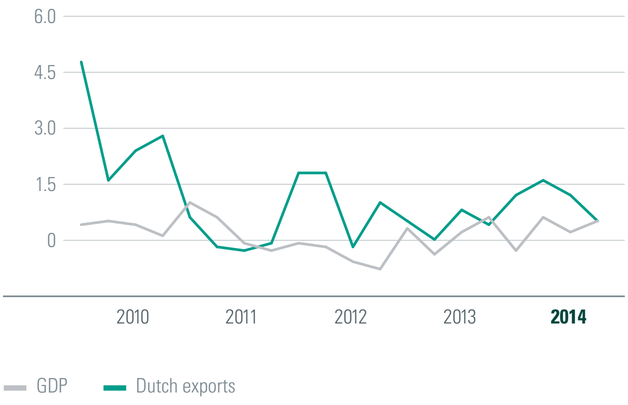
Dutch economy remains export-led
(in % QoQ)



Source: Thomson Reuters Datastream

Growth in all market sectors

Business activity in virtually every sector grew in 2014. Exports were the driving force, felt mainly in the agri-food, transport and logistics, industrial and international wholesale sectors. Domestically-oriented sectors, such as construction and retail, resumed growth. These growth figures are not necessarily a reflection of the health of businesses in these sectors. After years of significant contraction and structural changes in the market (construction and retail), slight growth is no reason for celebration. The volume of activity in many sectors is lower than pre-crisis levels, and financial resilience has taken a hit. A number of sectors are contending with overcapacity, meaning many businesses are offering low rates when tendering for projects (construction) or are seeing significant pressure on margins (parts of transport & logistics and business services). All in all, however, things are moving in the right direction. This is also reflected in the declining number of bankruptcies (20% decrease in 2014).

Housing market recovers

The Dutch housing market convincingly climbed out of its slump in 2014. The market's regained confidence was reflected in the Homeowners' Association Market Indicator (*Vereniging Eigen Huis*), which measures consumer confidence on the housing market. This rose to 105 at the end of 2014 from a low of 51 at year-end 2012. Economic recovery and the steady decline in mortgage interest rates breathed new life into the market. Another positive factor was the temporarily relaxed tax treatment of gifts used to buy a home or to repay a mortgage. The improved sentiment led to a significant increase in the number of sales transactions, although this is still far from pre-crisis sales levels – and these levels are unlikely to be seen any time soon. House prices began to increase again in the spring of 2014, albeit with considerable regional differences. The steepest rises were seen in the urbanised western part of the Netherlands and in the province of Limburg. House prices continued to fall in the provinces of Groningen, Friesland and Zeeland.

Lending stagnates

In 2014, most Dutch banks saw a combination of stagnating growth in the volume of lending, lower loan losses and improved margins. At the same time, savings increased. Dutch banks strengthened their capital positions, partly in response to stricter requirements under CRD IV/CRR.

Outstanding loans to businesses declined. New statistics from De Nederlandsche Bank (DNB) for the first nine months of 2014 point to a decline in loans given to SMEs. DNB's surveys show that this was caused more by a decline in the number of loan applications than by stricter acceptance criteria among banks. Outstanding mortgages grew very slightly. The number of business bankruptcies fell sharply in 2014, but was still very high compared with pre-crisis levels. We do not see a one-on-one relationship with banks' impairment charges, although there are indications of a decline in these charges in 2014.

Two factors caused interest spreads to widen. First, savings interest rates fell further, partly in response to the ECB's policy. Second, interest rates for mortgages that were priced very low in the pre-crisis years are gradually being adjusted to the new reality, with higher costs of capital for banks and changed risk perceptions.

The volume of outstanding savings deposits grew slightly in 2014. In combination with the stagnation in lending, banks became less dependent on the market for funding.

Looking ahead to 2015

There is good reason for optimism about the global economy in 2015. The United States is expected to stay on its comfortable growth path, and the economies of emerging countries and the eurozone could benefit from this. Growth prospects for the largest eurozone economy, Germany, are good (because this economy is structurally sound), provided Germany's political relations with Russia do not deteriorate. If these expectations materialise, there is only a slim chance of the eurozone entering a deflationary period, with a continuing decline in prices. This could help the Netherlands achieve higher growth (in all market sectors) in 2015.

We expect prices and the number of transactions in the Dutch housing market to stabilise or rise very slightly in 2015. The housing market is definitely on the mend. Interest rates are expected to remain low as economic growth continues. However, a significant recovery of the Dutch housing market is not likely. There are still large numbers of homes for sale, and continued restrictions on mortgage loans are keeping the recovery in check.

Integration of European capital markets

Large banks in the eurozone have been under the supervision of the ECB since November 2014, when the European Banking Union was introduced. The immediate reason for this move was the euro crisis, but it is also a new step on the way to financial integration within the European Union (EU). The EU (and the eurozone) is a project in progress, and therefore not entirely stable.

The choice between further integration and fragmentation is a constant presence. Now that the EU has demonstrated it can weather a crisis, further integration seems to be a logical step. The new European Commission (EC), under the leadership of Jean-Claude Juncker, has put the formation of the Capital Markets Union for all 28 EU countries on the agenda. The idea behind the integration of capital markets is to give companies, especially SMEs, more financing opportunities. At this point, capital markets are fragmented by national boundaries, meaning borrowing in one country is more difficult than in another. In the US, smaller businesses as well as big companies can borrow money directly on the capital market.

The EC would like to offer a similarly powerful alternative to bank lending and will devote the first few months of 2015 to investigating how the Capital Markets Union could be of use.

regulatory environment

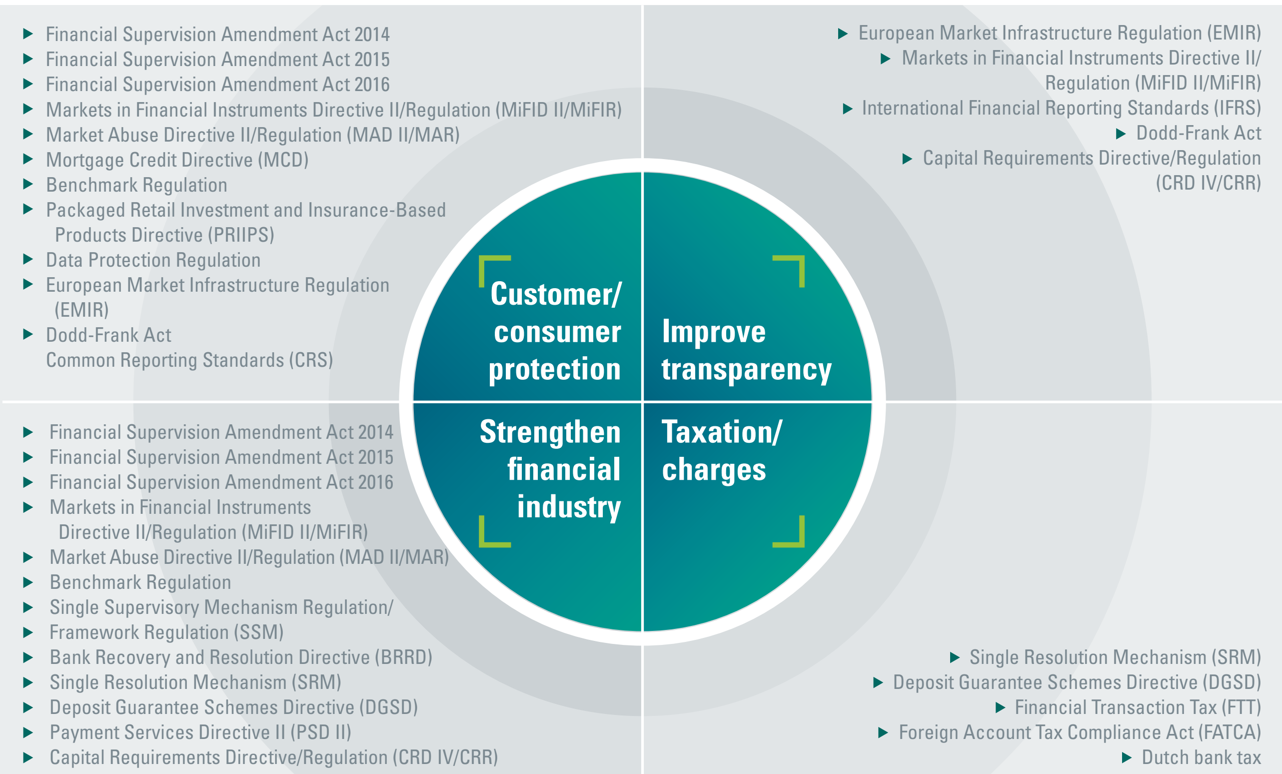
Overview

2014 was the year in which a large number of European framework legislation was adopted and published, such as the Markets in Financial Instruments Directive (MiFID 2) and Regulations (MiFIR), the Market Abuse Regulation (MAR) and Directive (MAD II), the Bank Recovery and Resolution Directive (BRRD) and the revised Deposit Guarantee Schemes Directive (DGSD). Following the adoption and publication of this framework legislation, a vast amount of implementing measures were discussed by the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA).

In addition, 2014 was the year in which the Single Supervisory Mechanism entered into force, pursuant to which the European Central Bank (ECB) became the prudential supervisor of ABN AMRO and its banking subsidiaries.

Given the need to assess, respond and implement the vast stream of new rules and regulations in a timely and efficient manner, ABN AMRO recognises that a robust regulatory response function is paramount. The Managing Board therefore decided in November 2014 to install a Regulatory Committee directly under the Managing Board and a Regulatory Office under the supervision of this Regulatory Committee.

Regulatory overview



Banking Union files

Capital Requirements Directive IV and Capital Requirements Regulation

The Basel Committee sets international minimum supervisory standards in relation to capital adequacy and liquidity. On 16 December 2010 (revised in June 2011), the Basel Committee published a framework referred to as the Basel III Framework. In 2013, the capital, liquidity and leverage ratio requirements set forth in the Basel III Framework were implemented in the European Economic Area (EEA) by the Capital Requirements Directive (CRD IV) and Capital Requirements Regulation (CRR). CRD IV and CRR entail important changes to capital requirements, remuneration, reporting and governance requirements.

CRR establishes a single set of harmonised prudential rules which apply directly to all banks in the EEA as from 1 January 2014, with specific requirements to be phased in over a period of time.

CRD IV (including requirements related to governance and remuneration) replaced the preceding capital requirements directives and was transposed into Dutch law by the Act Implementing CRD IV and CRR (*Implementatiewet richtlijn en verordening kapitaalvereisten*) that came into force on 1 August 2014. The obligations with respect to remuneration will be implemented by means of the Act on the Remuneration Policy of Financial Undertakings (*Wet beloningsbeleid financiële ondernemingen*), the Decree on Sound Remuneration Policies (*Besluit beheerst beloningsbeleid Wft*) and the Regulation on Sound Remuneration Policies (*Regeling beheerst beloningbeleid*).

In addition to CRD IV and CRR, several delegated acts (e.g. with respect to the liquidity coverage ratio and leverage ratio), technical standards and guidelines set, or to be set, by the European Banking Authority create further detailed European regulations and supervisory guidance aimed at improving the internal market.

Single Supervisory Mechanism regulation

The regulation establishing the Single Supervisory Mechanism (SSM) provides that the European Central Bank (ECB) must carry out its tasks relating to prudential supervision of the most significant credit institutions in the eurozone.

ABN AMRO Group is one of the credit institutions that is considered 'significant' within the Netherlands. As a result, all credit institutions of ABN AMRO Group within the eurozone are qualified as significant supervised entities and, as such, came under the prudential supervision of the ECB as from 4 November 2014.

Bank Recovery and Resolution Directive and Single Resolution Mechanism

A European directive establishing a framework for the recovery and resolution of banks and certain investment firms (the BRRD) sets out a common European recovery and resolution framework which is composed of three pillars: preparation (by requiring banks to draw up recovery plans and resolution authorities to draw up resolution plans), early intervention powers and resolution powers. The measures of the BRRD apply as from 1 January 2015, with the exception of the bail-in resolution tool, which may be applied as from 1 January 2016 at the latest.

The Bank is required to draw up and maintain a recovery plan. This plan must contain a wide range of measures that could be taken by ABN AMRO to restore its financial condition in the event it significantly deteriorates. The Bank must submit the plan to the competent supervisory authority for review and must update the plan annually or after changes to the legal or organisational structure, business or financial situation that could have a material effect on the recovery plan.

The Single Resolution Mechanism (SRM) provides for a Single Resolution Board (SRB) which will have all necessary powers to impose resolution measures in the event of a bank resolution and for a Single Resolution Fund (the Fund) that will be financed by banking groups included in the SRM. The SRB is responsible for a resolution in relation to ABN AMRO and will draw up ABN AMRO's resolution plan, providing for resolution actions it may take if ABN AMRO were to fail or would be likely to fail.

The Bank will only be eligible for a contribution by the Fund after a resolution action has been taken if shareholders and the holders of relevant capital instruments and other eligible liabilities have made a contribution to loss absorption and recapitalisation (by means of a writedown, conversion or otherwise) equal to an amount not less than 8% of the total liabilities (including own funds and measured at the time of the resolution action).

Central supervision by the European Central Bank

After the 'comprehensive assessment' was completed, which evaluated the quality of assets held by systemic banks, the European Central Bank (ECB) became the central banking regulator on 4 November 2014. In this capacity, the ECB is exclusively authorised to act as the supervisory authority for ABN AMRO and its banking subsidiaries located within the eurozone. Among other things, the ECB supervises compliance with capital requirements and government regulations, thereby promoting the health of financial enterprises in Europe and improving the stability of the financial sector.

The key figures in European banking supervision are the Joint Supervisory Teams, which conduct the day-to-day supervision of all big banks in Europe. A team has also been established for ABN AMRO, comprised of employees of the ECB, DNB and the regulators where ABN AMRO has its banking subsidiaries located. The Joint Supervisory Team regularly holds supervisory meetings, researches risks and expects the bank to organise specific programmes in order to reduce identified risks.

The introduction of central supervision by the ECB has resulted in more intensive collaboration and knowledge sharing between ABN AMRO and its banking subsidiaries. Group Audit coordinates all contacts with the ECB. Information requests from the ECB and DNB are handled centrally by our Risk department.

The BRRD is expected to be transposed into Dutch law by the Act Implementing the BRRD and the SRM (*Implementatiewet Europees kader voor herstel en afwikkeling van banken en beleggingsondernemingen*) in the course of 2015.

Deposit Guarantee Schemes Directive

The DGSD covers financing of national Deposit Guarantee Schemes, the scope of clients, payout period and information requirements. The DGSD is expected to be transposed into Dutch law in April 2015.

Pursuant to the DGSD, the structure of the current Deposit Guarantee Scheme (DGS) will be amended from an ex-post funded system to a partially ex-ante funded system. This means that participating financial institutions will have to contribute to the scheme in advance (through cash deposits and payment commitments) rather than having to pay in the instance of an actual insolvency event of a financial institution requiring them to participate financially. The proposed date of entry into force of the new ex-ante funding system is 1 July 2015, whereas the available funds in the DGS system will need to be 0.5%-0.8% of the amount of its covered deposits in 2024. Contributions will be based on the covered deposits of the financial institution and risk-based contributions, but Member States may also impose minimum contributions.

Additional requirements of the DGSD include broadening of the scope of clients for whom the deposit guarantee will be available (all business clients, whereas the scope currently includes only companies that have published abridged annual accounts), information requirements to clients and the abridgement of the period in which payments under the DGS should be made from 20 working days to 7 working days in 2024.

Outlook for 2015

2015 will be the year in which a vast number of implementing measures adopted under framework legislation (mainly under CRD IV, BRDD and MiFID 2) are legally due for implementation. Based on the agenda of the European Commission, the main new initiative in 2015 will be the Capital Markets Union. In addition, the European Commission has indicated that it will focus on the retail aspects of financial services.

ABN AMRO expects new and proposed regulations to affect the banking landscape and how banks operate. We anticipate having to allocate a significant amount of resources and will remain highly focused on this regulatory burden in the coming years.

business review

This section provides an overview of ABN AMRO Bank and its business segments. An analysis of the results of operations and financial condition of ABN AMRO and its business segments is provided in the Financial review section.

Overview

In 2014, we made a number of changes to our client segmentation in order to better cater to clients' needs. As a result, ABN AMRO has amended its business segmentation and now presents four reporting segments: Retail Banking, Private Banking, Corporate Banking (including sub-segment information) and Group Functions. Retail Banking launched several initiatives to improve the customer experience, ranging from the roll-out of contactless payments to new releases of online and mobile banking, and from changing branch business hours to expanding remote advice centres.

In the Netherlands, Private Banking leveraged on Retail Banking's expertise in areas such as systems, technology and standard banking services and continued to develop innovative online, mobile and social media solutions. Following the integration of the domestic private banking activities of Credit Suisse in Germany, Bethmann Bank became a top 3 private bank in Germany.

In the Corporate Banking segment we took further steps in 2014 to put our clients' interests first. We introduced new products and further improved our sector approach by completing the process of assigning clients to one of the fifteen industry sectors.

Lastly, Group Functions focused on the realisation of ABN AMRO's long-term strategy by means of management control, regulatory compliance and second and third line responsibilities.

ABN AMRO Bank

ABN AMRO

Retail Banking

Private Banking

Corporate Banking

Group Functions

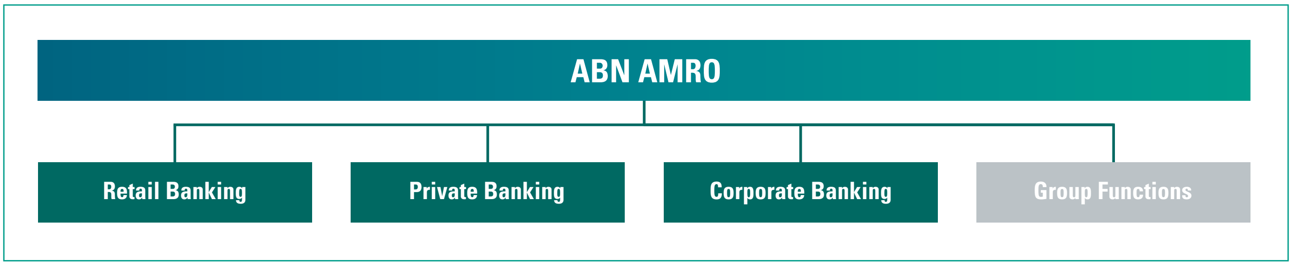
Business description

In 2014, we made a number of changes to our client segmentation in order to better cater to clients' needs. As a result, ABN AMRO has amended its business segmentation, which also improves the transparency of the business segments. As of 2014, ABN AMRO presents four reporting segments: Retail Banking, Private Banking, Corporate Banking (including sub-segment information) and Group Functions. Comparative periods have been amended accordingly. The new segmentation has no effect on the historical overall bank results or financial position of the bank.

The main changes are listed below:

- Commercial & Merchant Banking has been renamed Corporate Banking, with all clients benefiting from a sector-based approach. Corporate Banking comprises three sub-segments: Commercial Clients, International Clients and Capital Markets Solutions;
  - Commercial Clients serves Netherlands-based business clients with revenues from EUR 1 million up to EUR 250 million. In addition, Commercial Clients offers asset-based financing to clients in the Netherlands and selected countries in Europe. ABN AMRO's Real Estate & Public Sector clients, Lease and Commercial Finance activities are also part of this sub-segment;

- International Clients serves business clients with revenues exceeding EUR 250 million, as well as Energy, Commodities & Transportation (ECT) Clients, Diamond & Jewelry Clients, and Financial Institutions clients;
- Capital Market Solutions serves clients by providing products and services related to financial markets. This sub-segment also includes ABN AMRO Clearing Bank.
- Diamond & Jewelry Clients, previously part of Private Banking, is now a part of International Clients, as this client group requires similar products and services;
- YourBusiness Banking clients (SMEs with revenues up to EUR 1 million) are now served by Retail Banking instead of Commercial Clients, leveraging on Retail Banking's self-directed service capabilities on mobile and the internet;
- To improve the collateral management and strengthen the bank-wide liquidity function, the Securities Financing activities have been moved to ALM/Treasury (part of Group Functions).



Geographic presence

ABN AMRO is present in 21 countries and territories. In the Netherlands, our home market, ABN AMRO is a full-service bank. We have an extensive presence both in terms of bricks and mortar and through a leading online banking service offering. The international presence is for selected businesses only, such as Energy, Commodities & Transportation (ECT), Clearing and Private Banking, where ABN AMRO enjoys specific expertise and leading positions.

In these businesses:

- ABN AMRO has critical size and expertise;
- risk-taking is well understood and prudent;
- significant value-creating opportunities exist.

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

More information on financial performance can be found in Financial review - ABN AMRO Group

Introduction
Strategic Report
Business Report
Risk & Capital Report
Governance Report
Annual Financial Statements
Other

Retail Banking

Overview

Retail Banking holds a solid and recognised market position in our home market, the Netherlands, where it offers clients a comprehensive range of products and services through multi-channel distribution, including a state-of-the-art online and mobile offering.

ABN AMRO maintained its number 2 market position in savings and captured a number 2 position in new mortgage production in 2014 (2013: number 3), with a combined market share of all ABN AMRO brands in the Dutch mortgage market of approximately 20%.

ABN AMRO has made a number of changes to its client segmentation and has amended its business segmentation accordingly. As of the third quarter of 2014, YourBusiness Banking clients are served by Retail Banking instead of Corporate Banking. As announced in the fourth quarter of 2014, Retail Banking embarked on a programme to further enhance the customer experience. To this end, we intend to invest a total amount of approximately EUR 150 million until 2018.

We launched several initiatives in 2014 that further improved the customer experience, ranging from the roll-out of contactless payments to new releases of online and mobile banking, and from changing branch business hours to expanding remote advice services.

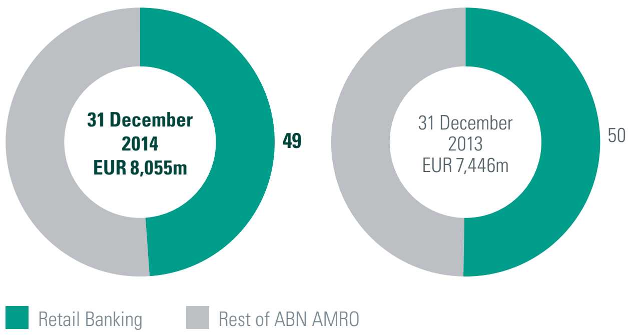
Looking ahead, Retail Banking will continue to focus on putting clients first. We intend to do so by further strengthening our advisory capabilities, accelerating digitisation and expanding our digital offering, and by reshaping our distribution model in anticipation of changing client needs.

More information on financial performance can be found in Financial review - Retail Banking

At a glance

- Retail Banking serves approximately 5 million retail clients with investable assets up to EUR 1 million and 300,000 small businesses with annual turnover up to EUR 1 million;
- A leading position in the Netherlands, with a number 2 position in savings[1] and a no. 2 position in new mortgage production[2]. Principal bank for 21%[3] of the Dutch population and market share of 22%[4] in the small business segment;
- Seamless multi-channel distribution with a nationwide network of around 300 branches, 5 Advice & Service Centres and 24/7 internet and mobile banking.

Retail Banking contribution to operating income
(in %)



Business description

Retail Banking has a stable client base of approximately 5 million retail clients. We also serve around 300,000 small business clients with annual turnover of up to EUR 1 million through a service model called YourBusiness Banking. These clients include starting entrepreneurs, foundations and associations, self-employed professionals and other businesses.

The Retail Banking client proposition is based on three principles: always easily accessible, ease in daily banking services and high-quality financial advice. We believe that these principles will help us create a positive customer experience.

Retail Banking provides a full range of transparent retail banking products and high-quality services under the ABN AMRO brand, as well as specific products and services under different labels. We hold a top 3 market position in the key retail products in the Netherlands: mortgages, savings and consumer lending.

We offer our products and services through multi-channel distribution with broad physical and digital coverage. We aim to be at the forefront of technological developments and strive to use the latest technology to improve the customer experience. This business is a steady and strong contributor to the bank's performance and contributes significantly to ABN AMRO's brand awareness. Retail Banking cooperates closely with Private Banking and Corporate Banking.

Product offering Retail Banking

Product	Retail clients	Small businesses
Mortgages	●	
Savings and deposits	●	●
Consumer lending	●	
Commercial lending		●
Credit cards	●	●
Payments	●	●
Investments	●	●
Insurance	●	●
Financial Planning	●	●

1 Source: Internal research based on DNB statistics.
2 Source: Kadaster (Dutch Land Registry).
3 Source: GfK (research company) online tracker, 2014.
4 Source: TNS NIPO, 2014.

Business developments

Client centricity

We want clients to experience our client-centric approach whenever they do business with ABN AMRO, regardless of whether the interaction is at a branch, by telephone or online. We strive to preserve the continuity of our client relationships by offering high-quality service and professional advice. The impact of our client-centric approach is reflected in various independent surveys. Advieskeuze.nl, an independent consumer platform on financial advice supported by the Dutch Consumer Association (Consumentenbond), rated Retail Banking 4.7 on a scale of 1 to 5 on the quality of advice. This is based on approximately 13,000 client reviews of more than 1,000 financial advisors and specialists. According to a survey by TNS NIPO, client satisfaction remained stable at a high level, with 79% of Retail Banking clients giving scores of 7 or higher on a scale of 1 to 10 for our products and services.

ABN AMRO has a unique client engagement strategy whereby clients are invited to rate the bank's products on the website. This approach has yielded thousands of reviews and ratings – with an average rating of 4.1 on a scale of 1 to 5 for insurance, payment and savings products – and clients' comments have helped the bank to enhance transparency.

We continued to provide our Carefree Living (*Zorgeloos Wonen*) service in 2014. Under this initiative, dedicated care teams and financial coaches support clients with potential mortgage arrears and help raise financial awareness. We reached out to more than 25,000 clients in 2014, holding approximately 8,000 coaching meetings to help clients organise their financial affairs and head off potential problems.

We also initiated a series of successful campaigns in 2014. One campaign, called House Promoter (Huizenpromoter), targeted clients selling their homes. Every day during December, Retail Banking clients had the opportunity to generate publicity for their homes. Their properties were displayed on billboards along motorways, advertised on the radio and featured in Facebook advertisements. Another example featured a rollercoaster ride through a house for sale. The rollercoaster takes potential buyers on a tour through the premises. Within two weeks the video went viral on Facebook and YouTube, reaching over 35 million viewers.

Strategy and organisational changes

ABN AMRO has made a number of changes to its client segmentation to cater to changing client needs. As of the third quarter of 2014, YourBusiness Banking clients (around 300,000 businesses with annual turnover up to EUR 1 million) are now served by Retail Banking instead of Corporate Banking. This better fits their increasing need for standard products and maximises Retail Banking's self-directed mobile and internet service capabilities.

In response to technological developments and changing client behaviour, Retail Banking has embarked on a programme to further enhance the customer experience. To this end, we intend to invest approximately EUR 150 million until 2018 to accelerate digitisation of key customer processes. We also intend to further concentrate the branch network and upgrade the branches, offering a broader range of services at each branch. Consequently, we expect to reduce the number of FTEs in Retail Banking by 650-1,000 by 2018, for which a provision was booked in the fourth quarter of 2014.

Leading market position

Retail Banking has a strong and recognised market position in the Netherlands. In 2014, we maintained our number 3 principal bank position for retail clients (21%[1] of the Dutch population) and our number 3 position in the small business segment, with a market share of 22%[2]. Customer deposits continued to grow in 2014, and we maintained our number 2 market position in 2014. The bank offers mortgages in the Netherlands under various brands, ensuring flexibility and choices for clients. We mainly offer mortgages under the brands ABN AMRO (main brand), Florius (targeting intermediaries) and MoneYou (online). Retail Banking moved from a number 3 position in 2013 to a number 2 position in new mortgage production in 2014, with a combined market share of all ABN AMRO brands in the Dutch mortgage market of approximately 20%. More information on the mortgage portfolio is provided in the Risk & Capital review chapter.

Most Retail Banking products and services are offered under the ABN AMRO brand. Specific services are offered through other labels or by subsidiaries such as MoneYou, International Card Services, Alfam, ABN AMRO Pensions and ABN AMRO Insurances. MoneYou specialises in online financial services (savings, mortgages and consumer loans) and serves more than 400,000 clients. MoneYou started in the Netherlands and expanded its

[1] Source: GfK (research company) online tracker, 2014.
[2] Source: TNS NIPO, 2014.

online offering of saving products to Austria in 2014, following Germany in 2011 and Belgium in 2012. MoneYou achieved approximately 15% growth of savings in 2014, mainly in Germany. International Card Services maintained its leading credit card issuer position in the Netherlands in 2014, with approximately three million credit cards issued to date. For the fourth consecutive year and in a shrinking market, Alfam further increased its consumer credit loan book. ABN AMRO Pensions, a joint venture with APG, is a top 3 Premium Pension Institution (PPI) in the Netherlands and carries out the pension schemes for a growing number of local and international clients. In 2014 this business developed a new product for employees with income exceeding EUR 100,000 in anticipation of amendments to pension legislation. Various renowned employers carry this product for their employees. ABN AMRO acts as an intermediary for ABN AMRO Insurances by selling and providing advice on a comprehensive range of life and non-life insurance products. ABN AMRO Insurances obtained the quality label for client-oriented insurance companies in 2010 (*Keurmerk Klantgericht Verzekeren*); 41 of the approximately 170 insurers active in the Netherlands have obtained this label[1]. Among these insurers, ABN AMRO Insurances ranked number five for client satisfaction on non-life insurance products (scoring 8.0 on a 10-point scale) and number seven on life insurance products (scoring 7.4 on a 10-point scale).

In keeping with the bank's ambition to put clients' needs first, Retail Banking has simplified and enhanced its range of savings product in recent years. We discontinued a number of savings products in 2014 which were used by a very small group of clients and replaced them with the existing range.

In late 2013, we started issuing bank cards that are suitable for contactless payments, a faster and easier way of paying than the traditional payment method. This was a massive operation: by December 2014, we had issued over two million cards with contactless functionality, or approximately one-third of the total number of ABN AMRO cards in circulation. The rest will be issued in 2015. Consumers can make contactless payments in an increasing number of shops. At present, there are 55,000 points of sale offering contactless payment and this number is steadily growing. Clients appreciate the ease and speed of contactless payment. Approximately one million contactless payment transactions have been made by ABN AMRO clients to date.

Personal and digital banking

The use of mobile banking increased by more than 30% in 2014, illustrating that clients are rapidly switching over to online banking channels. Between 2011 and 2014 the number of mobile banking logins grew from 0 to more than 46 million a month. In response to this trend, Retail Banking continued to invest in online and mobile solutions which are also made available to Private and Corporate Banking clients. A renewed version of the internet banking platform was launched in January 2014, further improving the online banking experience. We released several updates of internet banking and the mobile banking app in 2014, enhancing usability and introducing new features that make it easy for clients to interact with the bank. Our online offering was named 'Most Complete Mobile Banking App' in 2014[2]. We continued to encourage clients to make use of these online channels, and by year-end 2014 there were around four million users (retail and small business clients). Small business clients have rapidly adopted our service allowing them to open a bank account online in less than five minutes: in just three years' time, the percentage of accounts opened online instead of via YourBusiness Banking specialists increased from 35% to 82%. We consequently adjusted the staffing of YBB specialists. In addition, branch visits further decreased as a result of a shift in customer behaviour. In response, we further optimised the branch network and closed 62 branches, with virtually no impact on the level of service to clients and no significant client attrition.

We are continuously fine-tuning our distribution model and service offering in response to changing customer needs. An example is the change in opening hours of our branches in the Netherlands. Although clients are increasingly banking online, our branches still play an important role in the service offering. Many clients have indicated that they would like to visit a branch in the evening and at weekends. To meet this need, we changed the business hours of our branches across the country in 2014. We also extended our webcam advisory services, allowing clients to obtain advice whenever and wherever they want, from the comfort of their home. Around four times more advisory meetings were held by webcam in 2014 than in 2013. In addition, we adjusted the rates charged for phoning our Advice & Service Centre.

1 At January 2015.
2 Source: Banken.nl, an independent banking news platform, 2014.

Clients can now phone the centre for free (plus the usual call charges set by the telephone provider), making it easier for them to contact us.

We continued to invest in the expertise and professionalism of our financial advisors and specialists. As from January 2014 new professional standards apply to financial services providers, under which client-facing employees must hold valid diplomas relevant to their work. The regulations under the Financial Supervision Act (*Wet Financieel Toezicht*) provide for transitional arrangements. Retail Banking has until 31 December 2015 to ensure that all advisors and specialists hold the relevant diplomas. A significant portion of client-facing staff had already obtained their diplomas by year-end 2014.

Operational excellence

ABN AMRO launched a multi-year programme in 2014 designed to optimise the mortgage process in order to increase agility and lower costs. This involved simplifying the mortgage product offering, digitising client processes, investing in IT systems and simplifying the governance and organisational structure.

Building on previous years' work, we have completed the business-wide roll-out of Customer Excellence. Customer Excellence combines customer focus with operational excellence, producing everyday improvements that help raise client and employee satisfaction. This way of working helped us to shorten lead times, serve clients more proactively and simplify our business processes. Going forward, our Continuous Improvement programme should help us to enhance and further embed this way of working in the organisation.

Strategic ambitions

The strategic ambitions of Retail Banking are in line with ABN AMRO's strategic priorities: enhance client centricity, invest in our future, strongly commit to a moderate risk profile, pursue selective international growth and improve profitability

Enhance client centricity

Retail Banking's ambition is to build on its client-centric approach and to offer the best customer experience among its peers, making customers the bank's ambassadors. We aim to deliver high-quality advice through seamless multi-channel distribution. We believe we offer a competitive value proposition for clients combining a personal element (highly qualified advisors), state-of-the-art technology (online banking) and broad accessibility of advice (in branch, by telephone or via webcam). In addition, we strive to offer self-directed small business clients dedicated online services in an efficient and effective manner.

By focusing on customer loyalty, we aim to increase the business generated by existing clients. Continuously improving client processes and services will help us to enhance client centricity. At the same time, we seek to respond to opportunities in the market with initiatives targeting specific client groups or products.

Starting in 2015, we will begin surveying clients' opinions of our products, services and staff by means of the Net Promoter Score (NPS) methodology. We will use the results to improve the customer experience.

Invest in our future

Retail Banking invests in the future by training front-office staff. Our goal is to enhance their skills and improve their attitude and behaviour.

We also intend to make further investments in our digital offering to address the shift in client preferences for these distribution channels and to encourage clients to use self-service channels. As part of our drive to enhance the customer experience, we intend to accelerate digitisation of key customer processes and will continue to simplify products and streamline processes and channels.

We aim to make our multi-channel offering and distribution more efficient and effective by further integrating distribution for retail clients and small business clients, integrating remote advice and personal advice, pooling knowledge and expertise, and staffing branches with on average more advisors and specialists per branch. In light of the current speed of digitisation and the trend of customer preference for mobile and online banking, we expect to further reduce the number of branches in the coming years.

Strongly commit to moderate risk profile

As part of our commitment to maintaining a moderate risk profile, we continue our Carefree Living programme under which dedicated care teams and certified financial coaches actively support clients with potential arrears. Activities range from raising client awareness of their personal financial situation (e.g. with an online self-diagnosis tool), providing personal advice and coaching to prevent and resolve payment arrears (individual recovery plans). While the primary aim is to support clients, these initiatives are also expected to reduce the risk and impairment levels of the overall mortgage and consumer loan portfolios.

In addition, Retail Banking aims to reduce the Loan-to-Deposit ratio to strengthen the balance sheet in line with the moderate risk profile of ABN AMRO.

Pursue selective international growth

Retail Banking focuses on its home market of the Netherlands. We pursue international growth selectively, mainly via the MoneYou label. MoneYou currently offers savings accounts in the Netherlands, Germany, Belgium and Austria, with 70% of its savings volume generated outside of the Netherlands. In the Netherlands, the MoneYou product offering also includes residential mortgages and consumer loans.

Improve profitability

Retail Banking has a proven track record of efficiency as a result of strict cost control, FTE reductions and channel efficiency initiatives. Given the increased use among clients of mobile and internet banking, the number of branch visits has been steadily decreasing over the past years. In four years' time Retail Banking has closed around 200 retail branches, with virtually no impact on client satisfaction.

Retail Banking's strategy is to continuously optimise risk and reward with respect to the volume, margin and market share of key products (mortgages, savings and consumer loans). We aim to maintain a market share of 20-25% in the Netherlands and to improve top-line revenue and cost efficiency.

Webcam mortgage advice: no need to visit a branch

The Dutch housing market picked up in 2014, and house prices started to rise. Potential buyers no longer need to visit a branch to obtain mortgage advice: ABN AMRO is the first bank in the Netherlands to offer this advice by webcam. Clients can now speak with a certified advisor from the comfort of their own home, and the advisor can show them calculations and other documents onscreen. The advisor can supervise the entire mortgage application process, from the initial meeting to the execution of the deed by the notary public. Clients can request a webcam meeting on the ABN AMRO website, by telephone (Advice & Service Centre) or through an advisor.

Today's consumers want to do their banking business from home, and ABN AMRO offers this convenience to clients opening an account. We go to their homes to get the required signatures. Advice by webcam for retail customers is a logical extension of our services. A recent survey shows that one out of four clients is interested in this service, and almost all expect the same level of service as in a face-to-face meeting. Our webcam mortgage advice is a success: since this service was introduced, we have held more than 8,000 meetings by webcam – six days a week, during the day and in the evening. The service is becoming increasingly popular, and clients have rated it 9.8[1] on a 10-point scale.

[1] Source: advieskeuze.nl.

Private Banking

Overview

Private Banking is a leading private bank with dedicated professionals who have in-depth knowledge of their clients. Our international expertise combined with local involvement and over 300 years of experience in private banking forms the basis of our long-standing client relationships. These strengths allow us to continuously adapt to changing client needs and market trends, and to thoroughly understand our clients' past, present and future financial situation. Today, we are a modern and forward-looking private bank. We deliver consistent execution on a daily basis and offer clients multi-channel services to manage their wealth however and whenever they want. When it really matters, during life's defining moments, we are there to provide valuable advice.

Private Banking operates through strong local brands. The Dutch brand, ABN AMRO MeesPierson, maintained its position as market leader in the Netherlands in terms of AuM, totalling EUR 90 billion. Banque Neuflize OBC (NOBC) is our well-known private bank in France, with eleven branches in the main French cities. NOBC holds a top 3 position in the French private banking market. In 2014, following the integration of the domestic private banking activities of Credit Suisse in Germany, Bethmann Bank became a top 3 private bank in Germany, with twelve branches in the main economic regions of Germany. Private Banking is also active in Belgium, Luxembourg, Jersey and Guernsey[1], in Asia and the Middle East. it has a solid footprint in Singapore, Hong Kong and Dubai.

[1] In addition, we have a branch in Spain with a small team providing local assistance to clients from other Private Banking locations.

In the Netherlands, we significantly strengthened our cooperation with Retail Banking in 2014, allowing us to optimise the use of specific expertise in areas such as systems, technology and standard banking services. We restructured our organisation in alignment with our strategy.

We continued to develop innovative online, mobile and social media solutions and won awards for the Dutch ABN AMRO MeesPierson website and the ABN AMRO mobile banking app (MyPrivateBanking Research). In addition, we were awarded a top 5 position worldwide[1] for our Wealth Management Social Media Presences.

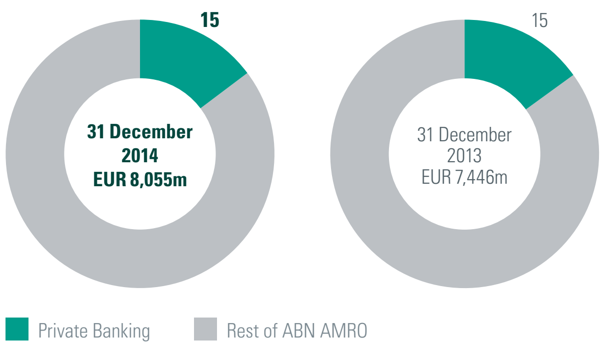
Looking ahead, we intend to remain focused on having an in-depth understanding of our clients' needs, enabling us to develop relevant solutions and to offer our clients a seamless multi-channel experience. Our aim is to deliver consistent execution and prudent risk management at all times. We will continue to focus on employee engagement and leadership in order to attract best-in-class staff. Our ambition is to generate disciplined organic growth and pursue acquisitions in selected markets.

More information on financial performance can be found in Financial review - Private Banking

At a glance

- Private Banking serves over 100,000 clients worldwide and is present in 10 countries with more than 50 branches. Market leader in the Netherlands[2]; ranked 3rd in France, Germany and the eurozone[3], with a solid position in selected countries in Asia and the Middle East;
- Private Banking offers seamless multi-channel client servicing supporting a network of offices of strong local brands in selected geographical markets.

Private Banking contribution to operating income
(in %)



Business description

Private Banking serves high net worth individuals with more than EUR 1 million in investable assets and ultra-high net worth individuals with more than EUR 25 million in investable assets. Private Banking is dedicated to building long-term relationships and to always putting clients' interests first: we have put client centricity and open architecture at the heart of our identity and our business model. It is the cornerstone of our long-term strategy, both in our policies and services and in the way we conduct our daily business.

Our client segmentation enables us to add value for specific client groups, while our size allows us to tailor our broad and in-depth expertise to clients' needs. Private Banking currently works with four key client segments: private wealth management (individuals with investable assets exceeding EUR 25 million), family money (family wealth acquired and to be transferred over generations), entrepreneurs (integrated services for former and active business owners), and institutions & charities (non-profit organisations). This segmentation helps us to develop client-centred solutions with distinctive propositions for each client segment.

We offer fully integrated financial advice and a broad array of services focused on wealth protection, wealth management, wealth structuring and wealth transfer. Investment services range from discretionary portfolio management to investment advisory and self-directed investments ('execution only'). Our open architecture approach allows clients to benefit from a wide range of solutions provided by highly experienced and skilled asset managers. We provide both lending and mortgage products. Our specialised services include insurance, informal investment services (e.g. a matchmaking platform for clients, bringing together supply and demand for capital and coaching), philanthropy advice, art advisory and world citizen services.

[1] Source: myprivatebanking.com.
[2] Source: Euromoney
[3] Source: Scorpio Private Banking Benchmark report 2013.

Product offering Private Banking

Product	(Ultra) high net worth individuals
Mortgages	●
Savings and deposits	●
Consumer lending and credit cards	●
Commercial lending	●
Payments	●
Investments	●
Insurance	●
Wealth structuring	●

Private Banking has a network of offices of strong local brands in selected geographical markets, with more than 50 branches across 10 countries. We serve clients with dedicated Client Service Teams, consisting of a private banker and an investment specialist, supported by dedicated assistants and specialists for lending, mortgages, estate planning and other specialised services.

We offer a full range of online and mobile services in most locations and are committed to offering clients a seamless multi-channel experience. To achieve this goal, we focus on innovation, seeking to outperform in the quality of our multi-channel services. Our online and mobile channels are used for portfolio reporting and investment proposals and support our investment alerting, and are gradually being implemented across our franchise. Our online Wealth System allows clients and private bankers to check their investment portfolios' performance online. A research app is available for clients to get acquainted with our research capabilities. We have a 24/7 webcare team in the Netherlands, which is active on Twitter, Facebook, YouTube and LinkedIn. In Asia, the iPad mobile office tool allows private bankers to consult with clients anytime, anywhere.

Business developments

Client centricity

AuM at Private Banking increased to EUR 190.6 billion at year-end 2014. Organic growth was supported by a focus on global acquisition and a more effective front office. Bethmann Bank became the largest private bank in Germany in 2014 after successful integration of the domestic private banking activities of Credit Suisse, rising from a top 5 to a top 3 overall market position. In the Netherlands, we significantly strengthened our cooperation with Retail Banking. As a result, we have more opportunities to optimise the use of specific expertise in areas such as technology and standard banking services. We restructured our organisation in alignment with our strategic ambitions. In Asia, our clear geographical focus positions us well for cooperation/referral agreements with local banks.

Private Banking scores consistently high on client satisfaction, and 2014 was no exception: 85% of clients in the Netherlands gave us a 7 or higher on a scale of 1 to 10[1]. In the rest of our markets, we score well above average on overall client satisfaction[2].

In line with the bank's long-term strategy, we invest in our future in various areas and leverage our staff's deep understanding of our clients' needs. In 2014, Private Banking partnered with ABN AMRO's bank-wide Innovation Centre in the Innovation Accelerator Programme. Teams from all over the world, selected based on their motivation and ideas, developed five innovative concepts in a boot camp, including working prototypes. Three of the ideas are currently being developed, and we intend to implement these in the second quarter of 2015. We plan to continue this programme in 2015 to ensure rapid change and to embed innovation in the organisation.

We offer a wide range of innovative online, mobile and social media solutions, including our mobile banking app, iPad mobile office app, iPad research app, webcare team and WebEx advice. The ABN AMRO MeesPierson website was selected again in 2014 as the number one private

[1] Source: TNS NIPO.
[2] Source: Custom made report by Scorpio.

banking website in the world (MyPrivateBanking Research). The ABN AMRO mobile banking app was ranked number three in the world (MyPrivateBanking Research). In addition, we were awarded a top 5 position worldwide[1] for our Wealth Management Social Media Presences in 2014.

We make use of the digital expertise of the Retail Banking organisation across Private Banking. The Retail Banking platform is used for the Private Banking website and app design in the Netherlands. Outside the Netherlands, we are developing an ambitious digital offering consisting of a blend of omni-channel services combined with personal interaction. Using the expertise across the Group facilitates the development of innovative solutions and improves cost efficiency, time-to-market and security.

We are gradually integrating environmental, social and governance (ESG) considerations into our overall investment process in order to support clients in their investment decisions. Our sustainable finance and investment services focus on socially responsible and environmentally friendly products and services, enabling our clients to contribute actively to a better environment. With investor interest in sustainable investment growing, volumes in most of our socially responsible investment funds have also increased. Furthermore, ABN AMRO has developed a Sustainability Indicator enabling clients and advisors to take sustainability aspects into consideration when making investments. Private Banking is a leader in impact investing, launching the first Social Impact Bond in continental Europe and the ABN AMRO Social Impact Fund.

Our people

Our people are the key differentiating factor for clients. As such, and in line with the bank's corporate strategy, we strive to be a Top Class Employer and to attract first-rate professionals. To this end, we continually invest in our people's development and expertise. Our focus areas are continuous learning, diversity and mobility. We continued our collaboration with INSEAD Business School in 2014, developing a new INSEAD programme dedicated to investment professionals and a number of follow-up webinars to the INSEAD Private Banking Certification for our Relationship Managers. These efforts are supported by a leadership programme geared to creating strong leaders with disciplined, entrepreneurial and innovative skills.

Operational excellence

Our understanding of our clients' financial situation, goals, needs and risk tolerance gives us the information we need to improve our service and to broaden and deepen our client relationships.

In 2014, we continued our extensive programmes designed to raise risk awareness and the risk management skills of our front-office staff and enhanced processes that support our control framework. We reviewed and adapted the business processes to new regulatory requirements. Several initiatives were launched in 2014 to enable swift processing in several areas, such as client onboarding and lending.

In order to align operations across our franchise and in response to the challenging business environment, we continued to invest in optimising and rationalising our IT systems in 2014.

Strategic ambitions

Private Banking seeks to achieve disciplined growth in a number of selected countries where we already have a sustainable presence. Our ambition is to be a modern private bank that is internationally present yet locally involved. A private bank that understands clients' needs now and in the future, while providing agile service and financial solutions.

Enhance client centricity

Our focus is on understanding client needs and developing relevant value propositions for specific segments in order to ensure client engagement and attract new clients. We are moving towards a coherent and distinctive segmentation approach across all countries. We aim to attract entrepreneurs and Next Generation clients by offering innovative services for this segment. Our Customer Excellence and Continuous Improvement programmes help us to increase the available commercial time of front-office staff. In addition, we intend to continue to develop cross-border connectivity to leverage our Private Banking network in our international markets.

[1] Source: myprivatebanking.com.

Social Impact fund

The ABN AMRO Social Impact Fund was set up in 2013 to help the bank participate in businesses that are making the world a better place. Investments must produce measurable social results and investment returns. The fund focuses on participating interests (from 20% to 50%) in Dutch socially-responsible oriented businesses.

In 2014, the Social Impact Fund and the city of Rotterdam invested in the first Social Impact Bond in the Netherlands. A Social Impact Bond is a financial instrument that shifts the risk of supporting a social service programme from the government to a private investor. The ABN AMRO Social Impact Fund has invested in five businesses:

- BigMove helps people with psycho-social problems regain control over their own welfare, relieving community care and health care providers;
- SCOPEinsight reviews farms in developing countries to determine their development needs, improving their access to markets and financing;
- Energy Floors delivers floorboards for dance floors, platforms and other public spaces which convert kinetic energy into electricity;
- Beebox delivers organic vegetables and fruit directly from the farmer to the consumer, with no middleman, and the farmer receives a fair share of the retail price (40%);
- TTC uses mobile technology to rapidly exchange information in development countries for research, information and emergency aid.

In a few years, after the fund has established a track record, we intend to make this fund available to our customers.

Invest in our future

We develop innovative solutions that deliver a seamless multi-channel client experience and accelerate our sustainable product offering. In the Netherlands, we intend to build on our leading position, ensuring seamless implementation of new technology. For our other core countries, we have launched a multi-channel strategy to continue improving our digital capabilities consistently across our markets.

We are dedicated to employee engagement and leadership. We focus on attracting best-in-class employees, developing inspiring leadership and promoting cross-border teamwork. This is supported by a dedicated leadership programme.

Strongly commit to a moderate risk profile

We deliver consistent execution and focus on prudent risk management for our clients and the bank. At the same time, we offer distinctive products, services and advice. We plan to implement investment propositions across the network using uniform risk profiles for our clients. This is supported by an integrated view of each client and their financial situation. In the Netherlands, we intend to introduce a new tool, called Financial Scan, to enable this.

Pursue selective international growth

Our ambition is to generate disciplined organic growth and selectively pursue acquisitions in our core markets.

Improve profitability

We drive sustainable performance and scale by deepening and broadening client relationships in a cost-effective manner. We actively control costs and manage channels efficiently, and we continuously optimise risk and reward parameters for our products and services.

Together these five key strategic drivers make up our ambition. Several business initiatives have been formulated for each strategic driver for the coming years designed to help us achieve solid growth of Assets under Management, an improved cost/income ratio and sustainable profitability.

Corporate Banking

Overview

Corporate Banking is an established business partner of the Dutch corporate sector and has a strong domestic franchise and a focused international strategy. Our primary focus is on the Netherlands, where we offer a broad range of standard and tailor-made products and services based on in-depth sector knowledge. Our clients are corporates in all sectors of the Dutch economy with annual turnover exceeding EUR 1 million. Internationally, we serve our Dutch client base abroad through local Dutch Desks in selective markets where most of our clients' international activities take place. In selected markets, we build on specific expertise ('specialities') and existing market positions. Our three specialities are (i) serving clients that are internationally active in the energy, commodities and transportation sectors (ECT Clients), (ii) clearing activities on more than 85 exchanges globally (ABN AMRO Clearing Bank), and (iii) asset-based financing (through the subsidiaries ABN AMRO Commercial Finance and ABN AMRO Lease).

Our key strengths are our leading market positions and strong brand name, our relationship-driven business model combined with a dedicated sector-based approach, and a strong focus on risk management and risk-return capital allocation.

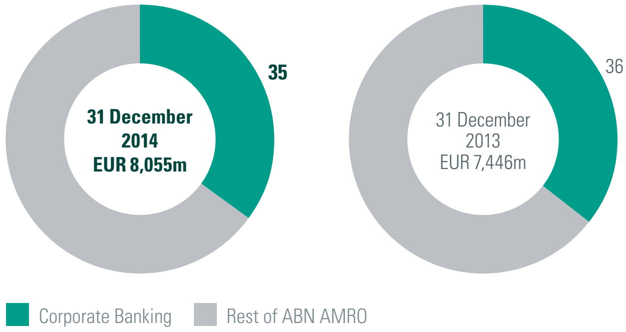
We took further steps in 2014 to put our clients' interests first, in part by introducing new products and organisational changes. We further improved our sector approach by completing the process of assigning clients to one of the fifteen industry sectors. We believe our efforts throughout 2014 have supported our ambition to make our clients a promoter of Corporate Banking.

More information on financial performance can be found in Financial review - Corporate Banking

At a glance

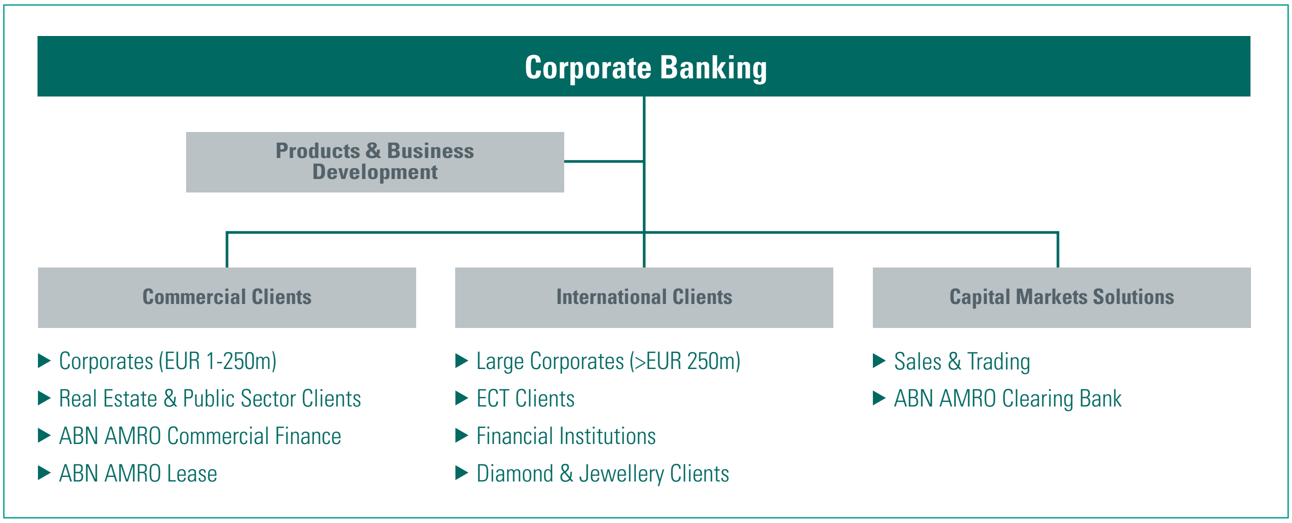
- Established business partner of the Dutch corporate banking market, with top positions in all of Corporate Banking's client segments[1];
- ABN AMRO has leading positions internationally in the Energy, Commodities & Transportation Clients[2] (ECT Clients);
- ABN AMRO Clearing Bank has market shares of 25% or higher on many of the major exchanges on which it operates, resulting in a global top three position based on turnover and market share[3];
- ABN AMRO Lease[4] and ABN AMRO Commercial Finance[5] have leading market positions in the Dutch asset-based financing markets.

Corporate Banking contribution to operating income
(in %)



Business description

Corporate Banking is organised into three business lines: Commercial Clients, International Clients and Capital Markets Solutions. Each of the business lines offers a tailored business proposition to clients and is supported by a central department (Products & Business Development) for product management, marketing, strategy and communications. The Financial Review section of this Business Report contains an overview of financial information for each business line.



Commercial Clients serves Netherlands-based clients with annual turnover between EUR 1 million and EUR 250 million, as well as clients in the Dutch real estate and public sectors. In addition, Commercial Clients offers asset-based financing to clients in the Netherlands, Belgium (cross-border), France, Germany and the United Kingdom. International Clients offers integrated financial and strategic advice and solutions to Netherlands-based large corporate clients with annual turnover exceeding EUR 250 million. International Clients also serves ECT Clients, Financial Institutions, and Diamond & Jewellery Clients internationally. Capital Markets Solutions consists of Sales & Trading and ABN AMRO Clearing Bank. Sales & Trading supports the Corporate Banking business lines

[1] Source: MT Finance Magazine, 'ABN AMRO back at the top'. Number 1 in 5 categories: Asset Management, Corporate Finance, Credit Management & Factoring, Financing and Risk Management.
[2] Source: Best Commodity Trade Finance Bank in Asia-Pacific 2012, 2013 and 2014 (Trade Finance Magazine), Silver soft commodities bank 2012, 2013 and 2014 (Trade & Forfaiting Review Magazine), Best Investment Company Oil & Gas Western Europe 2014 (World Finance), Shipping financier of the Year, Greece 2013 (Lloyd's List).
[3] Source: EUREX member ranking/StatistiX®, January – December 2014.
[4] Source: Best Financial Service Provider in the Dutch financial services industry (Incompany 100, category Business Finance, October 2014).
[5] Source: Best Credit Management & Factoring Company in the Netherlands (MT Magazine, category Credit Management & Factoring, October 2014).

Commercial Clients and International Clients by providing the clients of these business lines with capital markets products. In this way, Sales & Trading aims to strengthen the principal bank relationship with our clients.

ABN AMRO Clearing Bank intermediates in the international capital markets with a client base of investors and liquidity providers to the market.

ECT Clients

Energy, Commodities & Transportation Clients (ECT Clients) is a leader in its chosen niche markets and offers asset-based and commodity financing solutions to clients active in the full value chain of the energy, commodities and transportation sectors. ECT Clients employs a diverse workforce of 420 professionals (24 different nationalities) with in-depth industry knowledge and long-standing track records through various economic cycles. Its offices are in three major time zones in twelve locations worldwide.

Energy Clients has diversified client bases in the oil and gas sectors, the worldwide floating production storage & off-loading (FPSO) and off-shore services industries. Clients are offered a broad range of secured financing solutions. Commodities Clients are typically active in international trade, distribution and storage of physical commodities, e.g. crude oil, refined oil products, grains, coffee, cacao, iron ore, copper and steel. Commodity trade finance is characterised by short-term transactions secured by the underlying goods as collateral.

In addition to asset-based and commodity financing, ECT Clients offers a single point of access to the wider range of services offered by ABN AMRO, such as corporate finance, debt capital markets, clearing, hedging and equity capital markets.

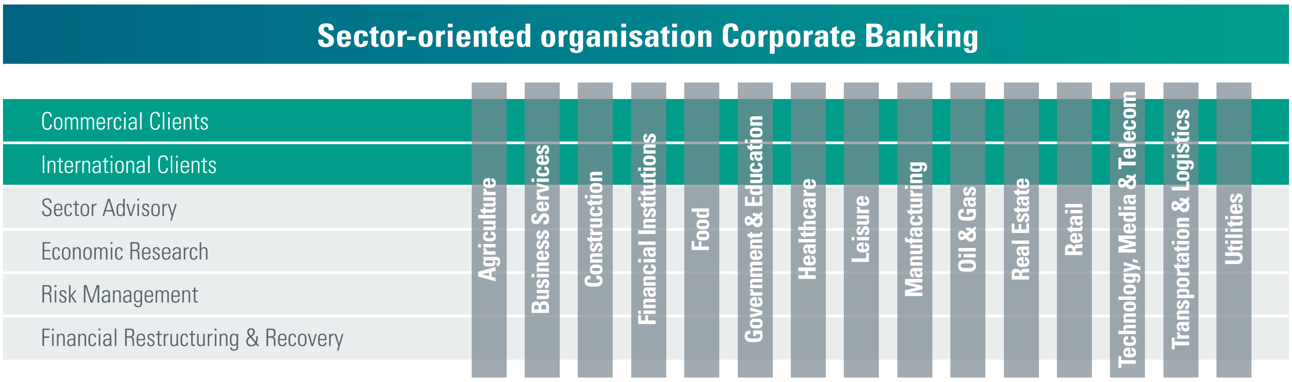
Transportation clients is a leading financing partner for the deep sea shipping industry. Transportation clients provides financing to international shipping companies for the construction or exploitation of tankers, container ships, dry bulkers and container lessors and specialist transport ships.

Product offering Corporate Banking

	Commercial Clients			International Clients				Capital Market Solutions[1]
Product	Corporates	Real Estate & Public Sector Clients	ABN AMRO Commercial Finance/ Lease Clients	Large Corporates	ECT Clients	Financial Institutions	Diamond & Jewellery Clients	ABN AMRO Clearing Clients
Asset-based solutions	●	●	●	●	● [2]	●	● [2]	
Capital markets products				●	●	●		
Cash and liquidity management	●	●		●	●	●	●	
Clearing				●	●	●		●
Commercial lending	●	●		●	●	●	●	
Debt solutions	●	●		●	●	●	●	
Equity participations	●			●	●			
Financing products				●	●	●		●
Investment products				●	●	●		
M&A/ECM	●	●		●	●	●	●	
Risk management products	●	●		●	●	●	●	
Trade finance	●	●		●	●	●	●	

1 Sales & Trading does not have clients of its own, but only serves customers of other client segments.
2 No Lease and Commercial Finance.

The Commercial Clients and International Clients business lines are organised according to sector. Our organisation has been tailored to serve our clients in fifteen different industry sectors and have assigned them dedicated relationship managers and/or client service teams consisting of product and sector specialists (depending on the client's needs and annual turnover). We believe that our clients benefit from our in-depth understanding of their activities and industries. Furthermore, we believe that our sector-based organisation and client-centric approach help constrain impairments, as they deepen our client and sector knowledge and our understanding of sector-specific risks.



Our distribution model is aligned with our strong domestic franchise and focused international strategy. We serve Commercial Clients through five regional units and twenty-two regional sub-units covering the Netherlands. In addition, central units serve real estate and public sector clients. International Clients serves its clients in the Netherlands centrally. Our clients also have access to a dedicated and professional support unit for their day-to-day banking affairs. Our Dutch dealing room is located in Amsterdam.

We offer our products and services through our international network to Dutch clients that are internationally active. These clients are served by local Dutch Desks in selective markets. To extend our international cash management offering to countries where we have a limited or no presence, we cooperate with partner banks. Our international presence is aligned with our three international specialities. ECT Clients are served from major logistical and financial hubs. ABN AMRO Clearing Bank offers global market access and clearing services on more than 85 exchanges worldwide. ABN AMRO Commercial Finance and ABN AMRO Lease offer asset-based solutions in Belgium (cross-border), Germany, the United Kingdom and France (ABN AMRO Commercial Finance only). Moreover, outside the Netherlands, we serve financial institutions in France, Germany, the United Kingdom and the United States with a local sales presence. Diamond & Jewellery Clients is the world's oldest dedicated banking partner to the Diamond & Jewellery sectors, where it supports leading companies in the sector. Sales & Trading has a local presence outside the Netherlands in the United Kingdom, the United States, France, Norway, Germany and Singapore.

Business developments

Client centricity at Corporate Banking

To meet our clients' changing needs, we have further enhanced our focus on putting their interests first throughout the Corporate Banking organisation. In response to an ongoing dialogue with our clients, we launched several new products, such as contactless card payments, electronic refund payments and the 'Business Notice Deposit 31 (*zakelijk wachttijd deposito 31*)'. This new type of savings deposit offers clients higher interest rates while giving ABN AMRO more stable funding opportunities, allowing the bank to meet new regulatory requirements. We also decided to pass on the advantage of the ECB's favourable TLTRO (Targeted Long Term Refinancing Operations) funding to our clients. In addition, we participated in a third tranche of European Investment Bank funding of EUR 350 million that is used to finance SMEs under favourable conditions. Our enhanced online and mobile banking services increasingly meet our clients' demand for self-service banking. Examples include our Insights App, Standard Business Reporting and the possibility of opening a second payments account online.

In 2014 there was a public debate in the Netherlands on banks' duty of care towards SMEs with respect to interest rate derivatives. We take our duty of care seriously. A dedicated project team has been reviewing our corporate client files containing interest rate derivatives to determine whether the products we have sold these clients still fit their current situation.

We hold organisation-wide sessions addressing dilemmas surrounding client centricity. In their day-to-day work, our employees may have to balance between the interests of clients and the bank. During these sessions, staff discuss these dilemmas and learn from each other. This programme has helped to embed client centricity in the Corporate Banking culture.

At Corporate Banking, sustainable business practices are key to our success. Besides playing an active role in society regarding sustainability issues, we also support our clients in their transition to sustainable practices. An example is the We Sustain programme introduced in 2014, a contest challenging staff bank-wide to come up with ideas to help our clients make their operations more sustainable. The ideas generated under this programme are currently being explored.

Our efforts to put clients' interests first were recognised externally in 2014. Management Team magazine ranked ABN AMRO Corporate Banking number 1 in asset management, corporate finance, credit management & factoring, and financing. ABN AMRO Commercial Finance was named Best Credit Management & Factoring Company in the Netherlands by MT Magazine, and ABN AMRO Lease was named Best Financial Service Provider in the Dutch Financial Services Industry by Incompany 100 in the category Business Finance. According to a survey by TNS NIPO, client satisfaction showed positive results with 70% of the former Business Banking Clients and 93% of the former Corporate Clients giving scores of 7 or higher. In the Dutch large corporates segment, ABN AMRO ranks number 1[1] measured by the Greenwich Quality Index.

These scores and awards reflect the progress we have made in pursuing our ambition to make our clients a promoter of Corporate Banking.

[1] Source: Greenwich Survey.

Taking finance further

In the spring of 2014, ABN AMRO launched Taking Finance Further, an online platform for SMEs containing useful information on credit loans and financing, and solutions to various problems. ABN AMRO strives to be open and transparent in the ongoing public debate on granting credit loans to SMEs. Our new website helps entrepreneurs find answers to questions raised by the recent economic downturn and new regulations that have made it more difficult for SMEs to obtain credit loans.

Questions that are answered by Taking Finance Further include 'What are the requirements for filing a request for a credit loan?', 'What are the steps in a new credit intake procedure?', 'How can an entrepreneur increase their chances for success?'. The new Financing Compass helps entrepreneurs find a suitable financing solution. Taking Finance Further also offers useful tips, facts and figures, such as the percentages of credit loans provided and the consequences of government plans. Visitors to the website may submit questions and respond to news articles.

The Taking Finance Further campaign broadcasts the message loud and clear: ABN AMRO looks beyond lending when granting financing. Examples include combining different forms of finance, such as lease, commercial finance and crowdfunding. Entrepreneurs made frequent use of Taking Financing Further throughout 2014, with the number of visits exceeding 10,000 a month during the final quarter of the year.

Organisational changes in 2014

The current economic climate is putting pressure on revenue growth, while the increasingly strict regulatory environment has an effect on the operating result. At the same time, clients are demanding higher added value, greater efficiency, lower costs and simpler products. To meet the challenges that come with these developments, we have made a number of strategic choices which led to organisational changes in 2014. We believe that these strategic and organisational changes have helped us to create a more focused, uniform and integrated client approach and reflect our strategy of putting clients' interests first.

Changes to the Corporate Banking organisation

Corporate Banking (a combination of the former Commercial Banking and Merchant Banking segments) has been renamed and now consists of three business lines: Commercial Clients (a combination of the former Business Banking and Corporate Clients business lines), International Clients (formerly part of Merchant Banking as Large Corporates & Merchant Banking) and Capital Markets Solutions (formerly part of Merchant Banking as Markets). The new Commercial Clients business line was created as part of the strategic choice to serve medium-sized businesses and corporate clients from a single business line based on a relationship manager model. Small businesses with turnover up to EUR 1 million (YourBusiness Banking) are now served by Retail Banking with more standardised products and online banking. Diamond & Jewellery Clients has been transferred from Retail & Private Banking to Corporate Banking.

Sales & Trading strategic review

External and internal developments, such as changing client needs and the demand for simpler and more transparent products, the unfavourable economic climate, a stricter regulatory environment and rising operating costs, have been putting pressure on the financial results of Sales & Trading (part of Capital Markets Solutions together with ABN AMRO Clearing Bank) in recent years. We therefore conducted a strategic review in 2014 which resulted in a shift from a product-oriented to a client-oriented focus. Consequently, we decided to only offer products that fulfil the direct needs of Corporate Banking clients. As a result, Sales & Trading discontinued certain product categories (equity derivatives, structured products and carbon trading).

Sales & Trading will now focus primarily on supporting Commercial Clients and International Clients by strengthening the principal bank relationship with these business line's clients. Sales & Trading will also actively support the growth plans for ECT Clients in the United States and Europe and Financial Institutions in France, Germany and the United Kingdom.

The new Sales & Trading strategy is aligned with the bank's corporate strategy and has the full support of the client segments, as it enables them to offer clients added value and completing the clients' product needs. As such, we believe that it will lead to a more sustainable business model.

Developments relating to sector approach

A key element of our business model is our sector-based organisation combined with our client-centric approach. We took several initiatives in 2014 designed to further enhance our sector-based organisation.

Over the past few years, the vast majority of our clients were assigned to one of the fifteen defined industry sectors and, consequently, were given a (dedicated) relationship manager and/or a dedicated client service team consisting of product and sector specialists (depending on the client's needs and annual turnover). This process was completed in the course of 2014. In addition, 70 master classes were held in 2014, during which sector knowledge was shared across our client teams and among relationship managers. A new internal online platform was introduced to digitally support internal knowledge-sharing within and between our sector teams.

In addition to the ABN AMRO Insights website (abnamro.nl/insights), which contains research conducted by ABN AMRO on the economy, financial markets, industries and commodities, an app for iOS and Android was launched in 2014 allowing us to share economic and sector insights with clients in an easy and accessible manner. We also made our annual 'Vision on Sectors' (*Visie op Sectoren*) available to clients online.

ABN AMRO has further established its position as a market leader in the publication of sector news and updates in Dutch media in 2014 (based on media value in national, regional and online media). This reflects our extensive and increased investments in further improving our sector-based organisation and bank-wide sharing of sector knowledge.

Impairments

Over the past few years, Corporate Banking has faced significant amounts of loan impairments. A strict policy has been put in place to reduce impairments so as to minimise their impact on our financial results. In close cooperation with Risk Management & Strategy, we have improved our risk management systems and processes. Several measures have been taken aimed at further strengthening our credit management and at tightening credit requirements for new clients (especially in the new credit intake procedures in the SME segment). We increased monitoring of early warning signals and conducted extensive research on specific higher risk portfolios in order to better understand sector-specific risks. When handling new financing applications, we increasingly focus on offering asset-based financing (e.g. commercial finance and lease).

We increasingly manage based on risk-adjusted return on risk-adjusted capital (RARORAC) to ensure that our capital is employed in the most efficient way. Our strict impairments policies and execution and the quality of our assets are evidenced by the positive outcome of the Asset Quality Review conducted by the European Central Bank: almost no additional impairments on our assets were required by the regulator.

The current economic environment is an important driver for the level of impairments. This is also supported by the fact that the more positive economic developments in 2014 had a positive impact on the level of our impairments compared with 2013.

International developments

ABN AMRO aims to grow its international business to 20-25% of total revenues in 2017. Corporate Banking took the following steps in 2014 to help the bank achieve its international growth ambition.

ECT Clients was instrumental to ABN AMRO's international growth in 2014, with revenues growing by double digits compared with 2013. Growth was realised primarily in the United States and Asia, where additional staff was hired. At the same time, the strong focus on risk management resulted in a limited level of impairments. Decreasing oil prices, the increasing US dollar exchange rate and the geopolitical situation were important developments for our clients in 2014. We devoted continuous attention to these developments and are in constant dialogue with our clients in order to determine the impact on our clients and the bank.

In late 2014, we received approval from the Chinese regulators to set up a new Shanghai branch in 2015. This is an important milestone in our pursuit of controlled international growth in selective markets abroad.

ABN AMRO Clearing Bank opened a local clearing unit in Brazil in 2014 in order to conduct clearing activities for existing clients on the BM&F and Bovespa exchange. ABN AMRO Clearing Bank also expanded further in the US by servicing existing and acquiring new clients. Its presence in Tokyo is becoming increasingly important in the Asia-Pacific Region, where ABN AMRO Clearing Bank is ranked first in derivatives (measured by volume).

ABN AMRO Lease set up new branches in the United Kingdom and Germany in 2014, employing local staff with a proven track record in these leasing markets.

Strategic ambitions

Based on our strong domestic franchise and focused international strategy, our ambition is to be the strategic business partner to the Dutch corporate sector. Our strategy follows the five strategic priorities of ABN AMRO: (1) enhance client centricity, (2) invest in our future, (3) strongly commit to a moderate risk profile, (4) pursue selective international growth and (5) improve profitability.

Enhance client centricity

To enhance client centricity, we aim to further strengthen our sector-based organisation and increase our in-depth sector knowledge across the entire Corporate Banking organisation. This should allow us to deliver first-rate service and to respond to the trend among clients to be less reliant on bank loans by seeking alternative sources of funds. By improving our self-service banking proposition and focusing on our duty of care, we aim to realise our ambition to make our clients a promoter of Corporate Banking (measured by the Net Promoter Score).

Invest in our future

We intend to invest in our future by pursuing standardisation, straight-through processing and flawless execution of our business processes, in part by investing in our IT infrastructure and by enhancing our transaction banking proposition through new partnerships. In addition, we aim to further embed sustainability in our daily operations and to invest in the empowerment, knowledge, skills, development and working environment of our employees.

Strongly commit to a moderate risk profile

We are strongly committed to maintaining a moderate risk profile. To this end, we have a strict credit policy and execute this policy in a highly disciplined manner. We aim to further strengthen our moderate risk profile by focusing on asset-based financing, a sustainable loan-to-deposit ratio, risk-return capital allocation and by clearly managing based on risk appetite and return targets.

Pursue selective international growth

We pursue controlled and capability-led growth internationally by building on our strong international positions in our three specialities: ECT Clients, clearing and asset-based financing (commercial finance and lease). We are pursuing capability-led and controlled international growth of ECT Clients and ABN AMRO Clearing Bank globally and asset-based financing in Western Europe. Financial Institutions aims to grow in France, Germany and the United Kingdom by offering coverage with proven track records, building on its commercial successes and track record in the Dutch insurance sector.

Improve profitability

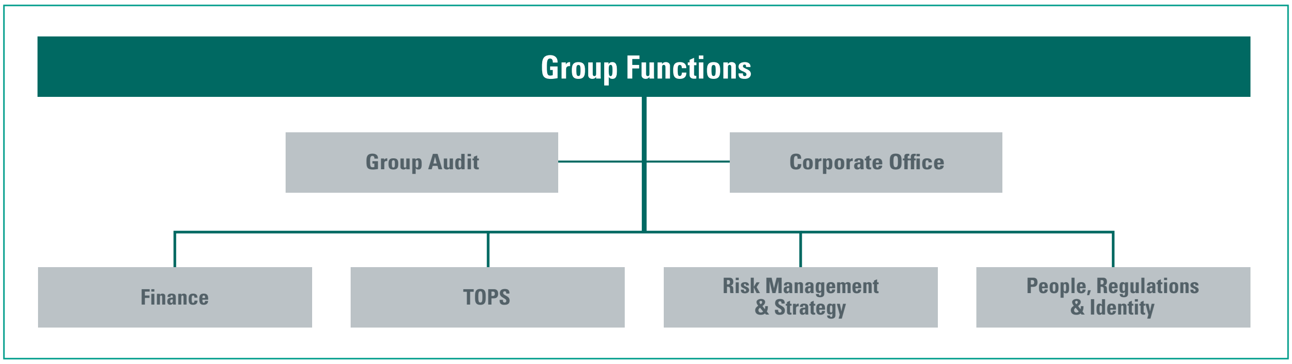
We aim to improve our profitability by managing based on risk/reward, while focusing on the allocation of capital within business lines to improve our return on equity and to offer a profitable overall client proposition. To help us reach this goal, we strive to improve both cost efficiency and operational efficiency.

Group Functions

Overview

Group Functions supports and controls all bank-wide business activities. Its main focus areas include realisation of ABN AMRO's long-term strategy by means of management control, compliance with regulations and second and third line responsibilities. Group Functions is organised into four main departments, each of which is headed by a member of the Managing Board: Finance, Risk Management & Strategy (RM&S), People, Regulations and Identity (PR&I) and Technology, Operations & Property Services (TOPS). Group Audit and the Corporate Office are also part of Group Functions. Group Audit reports to the Chairman of the Managing Board, and the head of Group Audit has direct access to the Chairman of the Audit Committee. The majority of Group Functions' costs are allocated to the business segments.

More information on financial performance can be found in Financial review - Group Functions



Technology, Operations & Property Services (TOPS)

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

TOPS consists of the following main departments: Business Services, TOPS IT and Chief Architecture & Data Management (CADM). Three chief operating officer departments (COO Departments) are the liaisons between Retail Banking, Private Banking, Corporate Banking and Group Functions.

Business Services is the overarching department consisting bank-wide of Operations, TOPS International Business Services (IBS), Property Services, Procurement and Stater. Operations is responsible for processing all transactions by or with clients, mutations in client contracts or relationships and administrative processing of products and services. Over the past few years, Operations has developed from a purely transaction-based function to a more service-oriented unit with a strong focus on client satisfaction. Operations is closely aligned with the business process management chains that are organised within the COO Departments organisation. IBS provides all Business Services-related services to offices abroad. Property Services (also known as Facility Management) provides housing, facility and logistical services. Stater is the largest mortgage service provider in the Netherlands and has been a subsidiary since 2001. Stater also falls under the responsibility of Business Services.

TOPS IT ensures the daily operation of IT systems used by customers and employees, designs solutions, secures corporate information, creates transparency on the contribution of IT to the total cost of ownership and maintains the service quality of systems and infrastructure.

CADM defines and safeguards the use of data models, data and architecture framework and data quality within ABN AMRO. Alignment between the business lines and TOPS is required in order to set standards of architecture and to ensure adherence to the agreed standards. CADM is also responsible for safeguarding the standards in the event of changes, including monitoring realisation of the desired target architecture.

The COO Departments manage the entire end-to-end value chain of service delivery to clients and business lines in various fields, including payments, credits, trade finance, securities and savings. The COO Departments are responsible for 'running' and 'changing' this chain, coordinating IT demand, and managing their respective IT portfolios, ensuring successful delivery of strategic and tactical projects and their budgets.

Finance

Finance helps to keep the bank on track to achieve the goals defined in the long-term strategy. Finance is the primary supplier of management and reporting information to internal and external stakeholders and challenges business decisions.

Finance consists of the following main departments: Financial Accounting, Controlling, Asset Liability Management/Treasury (ALM/T) and Tax. Financial Accounting is responsible for the financial accounting and consolidation function, ensuring transparent and efficient delivery of financial data for internal and external stakeholders. Controlling is responsible for management accounting and management information. Controlling is also responsible for supervising the bank-wide management control cycle, including budgeting and forecasting, and challenging our businesses on their strategic progress. To this end, Controlling has Business CFOs in all business Management Teams that act as liaisons. ALM/T is responsible for managing ABN AMRO's balance sheet with respect to interest, liquidity and capital risks and runs the treasury function. ALM/T centrally manages the risks run by ABN AMRO's business segments, enabling them to fully focus on their commercial tasks and credit risk management. ALM/T also liaisons with RM&S to ensure that ABN AMRO's risk appetite is in line with its corporate strategy and capital position, taking into consideration the economic outlook. Tax is responsible for the bank's tax declarations and controls ABN AMRO's tax positions worldwide within the risk profile defined and applicable tax regulations.

Risk Management & Strategy (RM&S)

A strong, sustainable bank relies on sound risk management and a risk culture in which every member of staff takes accountability for their actions.

ABN AMRO therefore works according to the three lines of defence risk management model. This model is generally accepted as the best practice standard for risk management in the financial industry and makes risk management the responsibility of every employee of the bank. It enhances risk awareness and promotes the bank's risk culture. See the Risk & Capital management chapter for an explanation on how this model works.

Risk Management & Strategy (RM&S) secures a sound risk/return ratio based on a moderate risk profile. The bank-wide risk appetite determines our moderate risk profile. All different events or risk types to which ABN AMRO is exposed are defined and categorised in the risk taxonomy. Risk Management identifies and manages all of the risk types classified in the risk taxonomy. The RM&S organisation consists of Risk Management departments, Group Economics, Strategy and the IPO Programme. ALM/T is also closely aligned to RM&S to

Re-engineering the IT landscape

ABN AMRO's IT landscape is currently stable, secure and robust. The availability of systems is high and losses from cybercrime and fraud are low. However, over the years and due to our history of separation and integration, our core IT landscape has become highly complex. There are a large number of infrastructure layers, platforms, applications and interfaces. This complex web of functionality and data sources makes it complicated to change existing products and processes and to launch new products, and it leads to high maintenance costs.

Client behaviour, technology and the regulatory landscape have changed significantly in recent years. Our clients expect to be able to conduct their banking business whenever and wherever they want, usually through online and mobile channels. With over one million mobile log-ins in our banking app every day, and less face-to-face contact in our branches, digitisation of products and processes is one of our key focus areas.

We launched a programme in 2013 to re-engineer our IT landscape, with a strategic outlook up to 2020. This programme is designed to upgrade and simplify our IT landscape by cleaning up legacy issues and switching over to a more effective architecture. We believe this is necessary in order to enhance our agility, prepare us for the future and further reduce IT costs for running the bank.

Conduct and Culture

ABN AMRO aims to be a better bank contributing to a better world. We believe that encouraging good conduct will make us a flexible organisation, allowing us to respond alertly to the ever-changing world and to meet the expectations of our stakeholders. Our corporate culture is based on our core values and business principles and guides staff in doing the right thing. Below are a few examples of how we devote attention to culture and conduct throughout the organisation, every day:

- In performance appraisals, we seek to strike a balance between financial and non-financial targets, quantitative and qualitative targets and behavioural aspects. Employees are appraised not only on what they have achieved, but also on how they have achieved their targets. We have heightened our emphasis on accountability by incorporating the business principles into the performance criteria;
- Audit staff are trained to review 'soft controls' – culture and conduct elements that have a role in controlling the business. They include these controls in their audits and report their findings to senior management, giving insight into what aspects of the culture need improvement;
- We have established an Ethics Committee which discusses dilemmas and advises the organisation on how to handle these. For example, the bank must make certain that every potential client's money originates from a legitimate source. What should we do if the client's reputation is under fire, and the client has been acquitted of all criminal offences?

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.

For our views on the economic environment, see the Economic environment section of this report. For an explanation of our strategic priorities and strategic progress, see our Strategic Report. The Risk & Capital Report provides an explanation of our risk governance and portfolio developments.

People, Regulations & Identity (PR&I)

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

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

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

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

financial review

The following section includes a discussion and analysis of operations, and of the financial condition of ABN AMRO and its different segments for the years 2014 and 2013. The information in this section is presented on the basis of underlying results. A reconciliation from reported to underlying results is provided in ABN AMRO results of this section. More information on the activities, clients and products of the different segments is provided in the Business review section of the Business Report.

Overview

ABN AMRO reported an underlying net profit of EUR 1,551 million. The full-year underlying net profit doubled compared with 2013 on the back of a better operating result and lower loan impairments, resulting in an underlying Return on Equity (ROE) of 10.9% (inside the targeted range for 2017 of 9-12%). The cost/income ratio improved to 60%, at the upper end of the targeted range for 2017 of 56-60%.

Reported net profit for full-year 2014 was EUR 1,134 million and included EUR 417 million of negative one-off special items (SNS Reaal levy and pension settlement charge). Reported net profit for 2013 was EUR 1,160 million and included EUR 408 million of positive one-off special items (mainly related to Greek and Madoff releases).

The total balance sheet ended at EUR 386.9 billion, an increase of EUR 14.8 billion compared with December 2013. On the asset side, the considerable growth in Financial investments and Derivative assets was partly offset by lower deposits at central banks. The increase in liabilities of EUR 13.5 billion was largely due to a rise in Derivative liabilities and growth in Client deposits, partly offset by lower Debt securities.

Retail Banking's underlying net profit was EUR 1,079 million, up EUR 279 million compared with 2013. The increase in underlying net profit was mainly driven by higher net interest income and lower impairments.

Private Banking posted an underlying net profit of EUR 160 million; an increase of 54% compared with 2013. Significantly lower loan impairments were the main driver for this increase, but net interest income also rose sharply. The acquired German private banking activities were consolidated as of September 2014.

Corporate Banking posted an underlying net profit of EUR 298 million, up EUR 151 million compared with 2013. This increase was also driven by higher net interest income and lower loan impairments, partly offset by lower Other operating income. Commercial Clients and International Clients contributed to the underlying profit, while Capital Market Solutions reported a small underlying loss.

Group Functions posted an underlying net profit of EUR 14 million compared with an underlying loss of EUR 299 million in 2013. The sharp increase was driven by higher net interest income and improved cost allocation to the business.

ABN AMRO Bank

Income statement

Operating results

(in millions)	2014	2013	Change
Net interest income	6,023	5,380	12%
Net fee and commission income	1,691	1,643	3%
Other operating income	341	423	-19%
Operating income	**8,055**	**7,446**	**8%**
Personnel expenses	2,396	2,320	3%
Other expenses	2,453	2,413	2%
Operating expenses	**4,849**	**4,733**	**2%**
Operating result	**3,206**	**2,713**	**18%**
Impairment charges on loans and other receivables	1,171	1,667	-30%
Operating profit/(loss) before taxes	**2,035**	**1,046**	**95%**
Income tax expenses	484	294	65%
Underlying profit/(loss) for the period	**1,551**	**752**	**106%**
Special items	- 417	408	
Reported profit/(loss) for the period	**1,134**	**1,160**	

Other indicators

	2014	2013
Underlying cost/income ratio	60%	64%
Underlying return on average Equity	10.9%	5.5%
Net interest margin (NIM) (in bps)	153	134
Underlying cost of risk (in bps)[1]	45	63

	31 December 2014	31 December 2013
Assets under Management (in billions)	190.6	168.3
FTEs	22,215	22,289

[1] Cost of risk consists of impairment charges on Loans and receivables - customers divided by average Loans and receivables - customers.

The **underlying profit** for full-year 2014 amounted to EUR 1,551 million, a rise of EUR 799 million or 106% compared with full-year 2013. This sharp increase was largely the result of significant higher NII (12%) and significantly lower loan impairments (30%). Underlying ROE increased to 10.9% in 2014 from 5.5% in 2013.

Both years were impacted by a number of special items which had a positive impact in 2013 and a negative impact in 2014. As a consequence, the reported net profit declined slightly from EUR 1,160 million in 2013 to EUR 1,134 million in 2014. For the difference between underlying and reported results please refer to the table Reconciliation from underlying to reported results.

As of September 2014, the acquired private banking activities in Germany are consolidated in ABN AMRO results.

Operating income

Operating income amounted to EUR 8,055 million and grew by 8% compared with 2013. 81% of total operating income was generated in the Netherlands.

Net interest income increased by EUR 643 million, or 12%, to EUR 6,023 million. Interest income improved across all businesses. The increase was driven mainly by improved margins on deposits as a result of enhanced re-pricing abilities. Interest income on mortgages also increased driven by the gradual repricing at higher margins, despite a declining portfolio volume. The increase in interest income on commercial loans was driven by margin improvements in Commercial Clients and portfolio growth in ECT. ALM interest results also improved compared with 2013.

Net fee and commission rose modestly, primarily due to higher commitment fees and corporate finance advisory fees. The switch to an all-in fee for investment products in the Netherlands had a negative impact on both Retail Banking and Private Banking. This was offset by a positive impact from the acquisition of the German private banking activities consolidated as from September 2014.

Other operating income amounted to EUR 341 million and was impacted primarily by EUR 52 million negative results driven by the first-time application of the Funding Valuation Adjustment (FVA), lower volumes following the phased wind-down of equity derivative activities at Capital Markets Solutions which started in the first half of 2013 and unfavourable Credit Value Adjustments and Debit Value Adjustments (CVA/DVA) results (EUR 6 million negative in 2014 versus results-neutral impact in 2013).

Operating expenses

Operating expenses increased modestly by EUR 116 million to EUR 4,849 million in 2014 compared with 2013, mainly driven by personnel expenses.

Personnel expenses increased 3% to EUR 2,396 million due mainly to a restructuring provision of EUR 60 million related to accelerated digitisation in Retail Banking. FTEs declined only slightly and were impacted by the acquisition of private banking activities in Germany.

Other expenses increased 2% to EUR 2,453 million due to higher project costs (mainly the ECB comprehensive assesment and the acquisition and integration of private banking activites in Germany), and a specific goodwill impairment of EUR 25 million. This was partly offset by the release from the provision related to the DSB deposit guarantee scheme of EUR 66 million in 2014 (versus a release in 2013 of EUR 31 million). Expenses were also positively influenced by the impact of accelerated depreciation on fixed assets in 2013.

Operating result

Operating result increased by EUR 493 million and the underlying cost/income ratio improved to 60% from 64% in 2013.

Impairment charges on loans and receivables

Impairment charges on loans and other receivables were EUR 1,171 million, down EUR 496 million from the high levels recorded in 2013. The decline in impairment charges was mainly recorded for mortgages and small Commercial Clients. The decline was partly offset by higher additions for medium-sized and large Commercial Clients and International Clients, although the fourth quarter of 2014 showed a positive development in these client segments. Impairments on real estate clients were lower than in 2013. Cost of risk based on average customer loans decreased to 45bps from 63bps in 2013.

Assets under Management

Assets under Management (AuM) within Private Banking grew by EUR 22.3 billion to EUR 190.6 billion. Of this increase, EUR 8.2 billion was related to the acquisition of the private banking activities in Germany. Net new assets contributed for EUR 5.5 billion and market performance for EUR 8.6 billion.

Based on the reported net profit, a final dividend of EUR 275 million will be proposed, bringing the total dividend for 2014 to EUR 400 million.

Balance sheet

At 31 December 2014, ABN AMRO changed the presentation of the balance sheet retrospectively to improve its relevance and clarity. ABN AMRO believes that the amended presentation aligns better with its business model. For more detailed information refer to note 1 of the Annual Financial Statements.

Condensed statement of financial position

(in millions)	31 December 2014	31 December 2013
Cash and balances at central banks	706	9,523
Financial assets held for trading	9,017	12,019
Derivatives	25,285	14,271
Financial investments	41,466	28,111
Securities financing	18,511	18,362
Loans and receivables - banks	21,680	23,967
Loans and receivables - customers	261,910	257,028
Other	8,292	8,741
Total assets	**386,867**	**372,022**
Financial liabilities held for trading	3,759	4,399
Derivatives	30,449	17,227
Securities financing	13,918	12,266
Due to banks	15,744	11,626
Due to customers	216,011	207,584
Issued debt	77,131	88,682
Subordinated liabilities	8,328	7,917
Other	6,652	8,753
Total liabilities	**371,990**	**358,454**
Equity attributable to the owners of the parent company	14,865	13,555
Equity attributable to non-controlling interests	12	13
Total equity	**14,877**	**13,568**
Total liabilities and equity	**386,867**	**372,022**

Main developments in total assets

Total assets grew by EUR 14.8 billion to EUR 386.9 billion at 31 December 2014. The increase was mainly related to Derivative assets. The increase at Financial investments (investments in the liquidity buffer) was offset by lower deposits at central banks.

Cash and balances at central banks decreased by EUR 8.8 billion to EUR 0.7 billion due to lower excess funds at overnight deposits central banks.

Financial assets held for trading decreased by EUR 3.0 billion to EUR 9.0 billion, driven mainly by the termination of Equity Derivatives (EQD) activities.

Derivative assets increased considerably by EUR 11.0 billion to EUR 25.3 billion (of which EUR 20 billion trading and EUR 5 billion non-trading) on the back of interest and FX rates movements impacting the fair value of derivatives. This is also observed in the Derivative liabilities.

Financial investments grew by EUR 13.4 billion to EUR 41.5 billion as a result of purchases for the liquidity buffer.

Securities financing was almost equal to year-end 2013 and stands at EUR 18.5 billion.

Loans and receivables – banks decreased by EUR 2.3 billion to EUR 21.7 billion as lower interest-bearing deposits at the European Central Bank (ECB) were partly offset by higher mandatory reserves at DNB.

Loans and receivables - customers grew by EUR 4.9 billion. This increase was primarily related to growth in other loans driven by ECT and Clearing activities.

Client loans decreased by EUR 0.5 billion, as the decrease in mortgages was not fully compensated by the growth in commercial loans. The mortgage portfolio decreased by EUR 2.1 billion to EUR 148.4 billion as increased new mortgage production was more than offset by higher (additional) redemptions especially in the final quarter. The spike in extra repayments can partly be explained by the expiration of tax-beneficial mortgage-related gifts. The commercial loan portfolio increased and was positively influenced by growth in the ECT Clients loan book. Commercial loans to small Commercial Clients declined as the number of credit applications remained at low levels in 2014.

Loans and receivables – customers

(in millions)	31 December 2014	31 December 2013
Residential mortgages	148,402	150,493
Consumer loans	16,052	16,241
Commercial loans to clients[1]	80,065	78,251
Total client loans[2]	**244,519**	**244,985**
Commercial loans to professional counterparties	9,635	9,798
Other loans[3]	6,777	2,821
Total Loans and receivables - customers[2]	**260,931**	**257,604**
Fair value adjustments from hedge accounting	5,739	4,399
Less: loan impairment allowance	4,761	4,975
Total Loans and receivables - customers	**261,910**	**257,028**

1 Including lease and factoring loans, excluding commercial loans to professional counterparties.
2 Gross carrying amount excluding fair value adjustment from hedge accounting.
3 Other loans consists of loans and receivables to government, official institutions and financial markets parties.

Main developments in total liabilities

Total liabilities increased by EUR 13.6 billion to EUR 372.0 billion mainly due to increased derivative liabilities and growth in client deposits. This was partly offset by lower issued debt securities.

Financial liabilities held for trading decreased slightly by EUR 0.6 billion to EUR 3.8 billion.

Derivative liabilities increased EUR 13.2 billion to EUR 30.4 billion (of which EUR 18 billion trading and EUR 12 billion non-trading) on the back of interest and FX rates movements impacting the valuation of derivatives. This is also observed in Derivative assets.

Securities financing grew by EUR 1.7 billion to EUR 13.9 billion.

Due to banks increased by EUR 4.1 billion to EUR 15.7 billion, mainly due to EUR 4.2 billion in new funding obtained from participation in the first two tranches of the Targeted Long-Term Refinancing Operations (TLTRO).

Due to customers grew by EUR 8.4 billion to EUR 216.0 billion. Growth is driven by deposit inflow at MoneYou Germany, Private Banking in the Netherlands, Commercial Clients and Clearing.

Due to customers

(in millions)	31 December 2014	31 December 2013
Retail Banking	95,915	93,403
Private Banking	62,902	59,464
Corporate Banking	54,740	51,667
Group Functions	2,454	3,050
Total Due to customers	**216,011**	**207,584**
Demand deposits	109,753	100,151
Saving deposits	88,655	87,448
Time deposits	17,459	19,638
Total deposits	**215,867**	**207,237**
Other borrowings	144	347
Total Due to customers	**216,011**	**207,584**

Issued debt decreased by EUR 11.6 billion to EUR 77.1 billion as wholesale funding was partly replaced by client deposits and the TLTRO. A total of EUR 12 billion in long-term funding matured in 2014 and an amount of EUR 6.9 billion in short-term funding was not rolled over. Additionally, RMBS declined EUR 3.8 billion. New issuance of long-term wholesale funding was EUR 9.1 billion in 2014.

Subordinated liabilities increased EUR 0.4 billion to EUR 8.3 billion.

Total equity

Total equity increased by EUR 1.3 billion to EUR 14.9 billion due to reported profit for the period and an increase in the special component of equity revaluations, partly offset by payment of the final dividend for 2013 and interim dividend for 2014.

Difference between underlying and reported results

Underlying results are adjusted for special items and divestments. Special items are material, non-recurring items which are not related to normal business activities. A divestment is the sale of all or part of a business to a third party. Adjustments include past results and the related transaction result.

The **reported net profit** for full-year 2014 amounted to EUR 1,134 million and includes a EUR 288 million charge for the transition to a new pension scheme as well as a EUR 201 million levy for the nationalisation of SNS Reaal.

The **reported net profit** for full-year 2013 amounted to EUR 1,160 million and includes EUR 408 million special items and divestments, consisting of EUR 684 million Greek/Madoff-related releases, a EUR 70 million charge for the reassessment of discontinued securities financing activities, EUR 52 million costs for the winding down of non-client-related equity derivatives activities and a EUR 37 million restructuring provision.

The following table presents the reconciliation from underlying to reported results.

Reconciliation from underlying to reported results

			2014			2013
(in millions)	Underlying	Special items	Reported	Underlying	Special items	Reported
Net interest income	6,023		6,023	5,380		5,380
Net fee and commission income	1,691		1,691	1,643		1,643
Other operating income	341		341	423	- 122	301
Operating income	**8,055**		**8,055**	**7,446**	**- 122**	**7,324**
Personnel expenses	2,396	288	2,684	2,320	37	2,357
Other expenses	2,453	201	2,654	2,413		2,413
Operating expenses	**4,849**	**489**	**5,338**	**4,733**	**37**	**4,770**
Operating result	**3,206**	**- 489**	**2,717**	**2,713**	**- 159**	**2,554**
Impairment charges on loans and other receivables	1,171		1,171	1,667	- 684	983
Operating profit/(loss) before taxes	**2,035**	**- 489**	**1,546**	**1,046**	**525**	**1,571**
Income tax expenses	484	- 72	412	294	117	411
Profit/(loss) for the period	**1,551**	**- 417**	**1,134**	**752**	**408**	**1,160**
Return on Assets (in bps)			29			29

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Impact of special items

(in millions)	2014	2013
Operating income		
Reassessment discontinued securities financing activities		- 70
Costs of wind down non-client-related equity derivatives activities		- 52
Total impact on Operating Income		**- 122**
Operating expenses		
Integration costs		
Restructuring provision		37
Pension settlement charge	288	
SNS Levy	201	
Total impact on Operating expenses	**489**	**37**
Loan impairments		
Greek releases		- 432
Madoff releases		- 252
Total impact on Loan impairments		**- 684**
Total impact on Income tax expenses	**- 72**	**117**
Total impact on result for the period	**- 417**	**408**

Retail Banking

Operating results

(in millions)	2014	2013	Change
Net interest income	3,379	3,115	8%
Net fee and commission income	522	547	-5%
Other operating income	41	29	43%
Operating income	**3,942**	**3,691**	**7%**
Personnel expenses	560	516	8%
Other expenses	1,475	1,413	4%
Operating expenses	**2,035**	**1,929**	**5%**
Operating result	**1,907**	**1,762**	**8%**
Impairment charges on loans and other receivables	460	679	-32%
Operating profit/(loss) before taxation	**1,447**	**1,082**	**34%**
Income tax expenses	368	282	30%
Underlying profit/(loss) for the period	**1,079**	**800**	**35%**
Special items			
Reported profit/(loss) for the period	**1,079**	**800**	

Retail Banking posted an **underlying net profit** of EUR 1,079 million, up EUR 279 million compared with 2013. The increase of 35% was driven by higher net interest income and lower loan impairments.

Net interest income increased EUR 264 million to EUR 3,379 million driven by margins on deposits and, to a lesser extent, increased deposit volumes. Net interest income on mortgages improved due to gradual re-pricing of the mortgage book at higher margins as mortgages originated pre-crisis had lower margins. The average mortgage portfolio shrank marginally compared with the previous year due to increased redemptions. Net interest income on consumer lending decreased as lower average lending volumes more than offset the higher margins.

Net fee and commission showed a limited decline of EUR 25 million to EUR 522 million. The decline is largely attributable to the switch to an all-in fee model for investment products in the Netherlands.

Personnel expenses increased by EUR 44 million to EUR 560 million due to a restructuring provision of EUR 60 million. The restructuring provision is related to the programme to accelerate digitisation. Excluding the restructuring provision, personnel expenses decreased modestly resulting from a decline in the number of FTEs following a further reduction in the number of branches in the Netherlands.

Other expenses rose by EUR 62 million to EUR 1,475 million. This limited increase compared with 2013 is attributable to higher allocation of IT project costs incurred for improvement of core IT systems and processes in the coming years and a legal claim.

Operating result was up by EUR 145 million. The underlying cost/income ratio was stable at 52%.

Impairment charges on loans and other receivables were considerably lower, dropping EUR 219 million to EUR 460 million. The decline was driven by lower impairments on mortgages and, to a lesser extent, lower impairments on the consumer lending portfolio.

The improved circumstances in the housing market and recovery of the Dutch economy contributed to lower inflow of clients in the impaired portfolio, increased outflow of clients to the performing portfolio and more final settlements of impaired exposures, which all had a positive impact on the impairment level of mortgages this year.

Other indicators

	2014	2013
Underlying cost/income ratio	52%	52%
Underlying cost of risk (in bps)[1]	29	42

	31 December 2014	31 December 2013
Loan-to-Deposit ratio	158%	165%
Loans and receivables - customers (in billions)[2]	156.0	159.0
Due to customers (in billions)[2]	95.9	93.4
Risk exposure amount (in billions)[3]	36.8	34.3
FTEs	6,258	6,503

1 Cost of risk consists of impairment charges on Loans and receivables - customers divided by average Loans and receivables - customers.
2 Excluding Securities financing due to the new presentation of the balance sheet.
3 2013 figures are reported under Basel II and the 2014 figures are reported using the Basel III (CRD IV/CRR) framework.

Loans and receivables – customers decreased EUR 3.0 billion mainly due to a EUR 2.3 billion decline in residential mortgages. After remaining largely stable for the first nine months, high levels of additional repayments in the fourth quarter drove the mortgage book down. The spike in extra repayments can partly be explained by the expiration of the beneficial tax treatment of mortgage-related gifts.

Due to customers grew by EUR 2.5 billion, mainly due to an increase in deposits in MoneYou Germany, partly offset by clients using their deposit balances to redeem their mortgages or for the possibility of making a tax-beneficial home investment or mortgage-related gifts.

Private Banking

Operating results

(in millions)	2014	2013	Change
Net interest income	597	529	13%
Net fee and commission income	544	532	2%
Other operating income	51	57	-10%
Operating income	**1,193**	**1,118**	**7%**
Personnel expenses	460	442	4%
Other expenses	503	416	21%
Operating expenses	**964**	**858**	**12%**
Operating result	**229**	**260**	**-12%**
Impairment charges on loans and other receivables	23	141	-84%
Operating profit/(loss) before taxation	**206**	**119**	**73%**
Income tax expenses	46	16	
Underlying profit/(loss) for the period	**160**	**104**	**54%**
Special items			
Reported profit/(loss) for the period	**160**	**104**	

Private Banking posted an **underlying net profit** of EUR 160 million. The increase of 54% compared with 2013 was driven by lower impairments and higher net interest income, partly offset by higher other expenses. The acquired German private banking activities are consolidated as of September 2014.

Operating income amounted to EUR 1,193 million, an increase of 7%.

Net interest income amounted to EUR 597 million, up by 13%. This increase was largely driven by higher volume and improved margins on deposits in the Netherlands. Margins of the international activities improved as well.

Net fee and commission rose by 2% to EUR 544 million. Net fees internationally increased mainly as a result of the acquisition of private banking activities in Germany and higher Assets under Management. Net fees in the Netherlands declined primarily due to the switch to an all-in fee model for investment products, despite the growth in Assets under Management.

Other operating income amounted to EUR 51 million, a decline of EUR 6 million, due mainly to a provision for a legal claim related to divested activities.

Personnel expenses increased EUR 18 million to EUR 460 million, mainly related to the integration of the private banking activities in Germany, which led to an increase of 165 FTEs as from September 2014. Some smaller movements for instance restructuring provisions accounted for the remainder of the increase.

Other expenses grew by EUR 87 million to EUR 503 million compared with 2013. This increase was due mainly to acquisition and integration costs of the private banking activities in Germany. Apart from this, 2014 included a specific goodwill impairment of EUR 25 million. Other expenses in 2014 were also higher compared with 2013 due to higher allocation of IT costs incurred for improvement of the core IT systems and processes in the coming years.

Operating result decreased 12% to EUR 229 million and the cost/income ratio increased to 81% from 77% in 2013.

Impairment charges at EUR 23 million improved sharply compared to 2013. The international portfolio was in 2013 impacted by several large impairment charges.

Other indicators

	2014	2013
Underlying cost/income ratio	81%	77%
Underlying cost of risk (in bps)[1]	14	89

	31 December 2014	31 December 2013
Loan-to-Deposit ratio	26%	26%
Loans and receivables - customers (in billions)[2]	16.7	15.5
Due to customers (in billions)[2]	62.9	59.5
Risk exposure amount (in billions)[3]	8.3	8.8
FTEs	3,599	3,442

1 Cost of risk consists of impairment charges on Loans and receivables - customers divided by average Loans and receivables - customers.
2 Excluding Securities financing due to the new presentation of the balance sheet.
3 2013 figures are reported under Basel II and the 2014 figures are reported using the Basel III (CRD IV/CRR) framework.

Loans and receivables – customers showed an increase of EUR 1.2 billion, mainly related to the integration of private banking activities in Germany and growth in Singapore and Dubai. This was partly offset by a decrease in the Netherlands in both mortgages and commercial loans.

Due to customers amounted to EUR 62.9 billion, an increase of EUR 3.4 billion, of which EUR 0.9 billion was attributable to the acquired private banking activities in Germany. In addition, deposits in the Netherlands increased.

Assets under Management

(in billions)	2014	2013
Opening balance AuM	**168.3**	**163.1**
Net new assets (excl. sales/acquisitions)	5.5	-2.0
Market performance	8.6	7.1
Divestments/acquisitions	8.2	
Other (incl. sales/acquisitions)	-0.0	0.1
Closing balance AuM	**190.6**	**168.3**
Breakdown by AuM type		
Cash	63.6	60.7
Securities	127.0	107.6
Breakdown by geography (in %)		
The Netherlands	47%	48%
Rest of Europe	44%	43%
Rest of the world	9%	8%

Assets under Management amounted to EUR 190.6 billion. The significant increase of EUR 22.3 billion was impacted by the acquisition of the German private banking activities (EUR 8.2 billion). Net new assets were responsible for a EUR 5.5 billion increase, mainly related to new inflow in the Netherlands. The increase due to market performance was EUR 8.6 billion.

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Corporate Banking

Operating results

(in millions)	2014	2013	Change
Net interest income	2,019	1,852	9%
Net fee and commission income	646	600	8%
Other operating income	173	278	-38%
Operating income	**2,839**	**2,730**	**4%**
Personnel expenses	618	600	3%
Other expenses	1,116	1,049	6%
Operating expenses	**1,734**	**1,649**	**5%**
Operating result	**1,105**	**1,081**	**2%**
Impairment charges on loans and other receivables	717	851	-16%
Operating profit before taxes	**388**	**230**	**69%**
Income tax expenses	91	83	9%
Underlying profit/(loss) for the period	**298**	**147**	**102%**
Special items		- 109	
Reported profit/(loss) for the period	**298**	**38**	

Corporate Banking posted an **underlying net profit** of EUR 298 million, up EUR 151 million compared with 2013. The increase of 102% was driven by higher net interest income and lower loan impairments, partly offset by lower other operating income.

Commercial Clients and International Clients contributed EUR 82 million and EUR 232 million respectively to the underlying profit of Corporate Banking. Capital Markets Solutions made an underlying loss of EUR 15 million.

Net interest income showed a marked increase of EUR 167 million to EUR 2,019 million. All segments contributed to this increase.

Commercial Clients reported EUR 62 million higher net interest income, driven by margin improvements from re-pricing abilities on both loans and deposits. Average lending volumes showed a limited decline, while average deposit volumes were virtually flat.

Net interest income at International Clients increased EUR 64 million compared with 2013, benefiting from growth in the ECT Clients loan portfolio. Capital Markets Solutions increased EUR 41 million, of which EUR 15 million is attributable to Clearing.

Net fee and commission increased by EUR 46 million to EUR 646 million, mainly due to higher commitment fees at ECT Clients and Commercial Clients as well as higher M&A fees at Corporate Finance.

Other operating income decreased considerably by 38% to EUR 173 million. The FVA impact, recorded for the first time this year, amounted to EUR 52 million negative. CVA/DVA results were EUR 18 million lower compared with 2013 (EUR 3 million positive in 2013 and EUR 15 million negative in 2014). Income further decreased following the phased wind-down of Equity Derivatives activities, which started in the first half of 2013. All was partly offset by Clearing recording a gain of EUR 40 million resulting from the sale of a majority stake in Holland Clearing House.

Personnel expenses at EUR 618 million showed an increase of EUR 18 million mainly due to a restructuring provision following the strategic review of Capital Markets Solutions.

Other expenses showed a limited increase of 6% to EUR 1,116 million mainly due to higher allocated IT project costs.

Operating result amounted to EUR 1,105 million, a marginal increase of 2%. The underlying cost/income stood at 61% for 2014 compared with 60% for 2013.

Impairment charges on loans and other receivables amounted to EUR 717 million, a significant decrease of 16%, or EUR 134 million. Commercial Clients recorded lower loan impairments, while loan impairments at International Clients increased. Impairments at Capital Markets Solutions remain negligible.

Loan impairments in Commercial Clients decreased by 21%, or EUR 164 million. Loan impairments on small clients (turnover of EUR 1 million to EUR 30 million) were substantially lower compared to 2013. Loan impairments on medium-sized and large clients (turnover of EUR 30 million to EUR 250 million) increased.

Other indicators

	2014	2013
Underlying cost/income ratio	61%	60%
Underlying cost of risk (in bps)[1]	86	105

	31 December 2014	31 December 2013
Loan-to-Deposit ratio	143%	147%
Loans and receivables - customers (in billions)[2]	85.0	78.9
Due to customers (in billions)[2]	54.7	51.7
Risk exposure amount (in billions)[3]	53.5	56.0
FTEs	4,995	5,022

1 Cost of risk consists of impairment charges on Loans and receivables - customers divided by average Loans and receivables - customers.
2 Excluding Securities financing due to the new presentation of the balance sheet.
3 2013 figures are reported under Basel II and the 2014 figures are reported using the Basel III (CRD IV/CRR) framework.

Loans and receivables – customers increased EUR 6.2 billion compared to 2013, mainly due to EUR 6 billion loan growth (including FX effect) in ECT Clients. This was partly offset by a decrease in the loan portfolio of Commercial Clients. The decrease in the Commercial Clients loan portfolio was partly attributable to still-low levels of credit applications from SME clients compared with pre-crisis levels.

Due to customers increased EUR 3.1 billion to EUR 54.7 billion. The increase was mainly recorded in deposits at Commercial Clients and Clearing clients at Capital Markets Solutions.

Commercial Clients

Operating results

(in millions)	2014	2013	Change
Net interest income	1,275	1,213	5%
Net fee and commission income	196	188	5%
Other operating income	30	27	13%
Operating income	**1,502**	**1,428**	**5%**
Operating expenses	**788**	**773**	**2%**
Operating result	**713**	**655**	**9%**
Impairment charges on loans and other receivables	605	770	-21%
Operating profit before taxes	**108**	**- 114**	
Income tax expenses	27	- 27	
Underlying profit/(loss) for the period	**82**	**- 87**	
Special items			
Reported profit/(loss) for the period	**82**	**- 87**	

Other indicators

	2014	2013
Underlying cost/income ratio	52%	54%
Underlying cost of risk (in bps)[1]	145	175

	31 December 2014	31 December 2013
Loans and receivables - customers (in billions)[2]	38.1	40.0
Due to customers (in billions)[2]	31.7	30.6
Risk exposure amount (in billions)[3]	20.8	24.0

1 Cost of risk consists of impairment charges on Loans and receivables - customers divided by average Loans and receivables - customers.
2 Excluding Securities financing due to the new presentation of the balance sheet.
3 2013 figures are reported under Basel II and the 2014 figures are reported using the Basel III (CRD IV/CRR) framework.

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International Clients

Operating results

(in millions)	2014	2013	Change
Net interest income	648	584	11%
Net fee and commission income	217	182	19%
Other operating income	3	6	-50%
Operating income	**868**	**771**	**13%**
Operating expenses	**456**	**421**	**8%**
Operating result	**412**	**350**	**18%**
Impairment charges on loans and other receivables	113	82	38%
Operating profit before taxes	**299**	**268**	**11%**
Income tax expenses	67	80	-15%
Underlying profit/(loss) for the period	**232**	**189**	**23%**
Special items			
Reported profit/(loss) for the period	**232**	**189**	

Other indicators

	2014	2013
Underlying cost/income ratio	53%	55%
Underlying cost of risk (in bps)[1)]	40	31

	31 December 2014	31 December 2013
Loans and receivables - customers (in billions)[2)]	32.2	26.4
Due to customers (in billions)[2)]	16.7	16.1
Risk exposure amount (in billions)[3)]	19.9	19.9

[1] Cost of risk consists of impairment charges on Loans and receivables - customers divided by average Loans and receivables - customers.
[2] Excluding Securities financing due to the new presentation of the balance sheet.
[3] 2013 figures are reported under Basel II and the 2014 figures are reported using the Basel III (CRD IV/CRR) framework.

Capital Markets Solutions

Operating results

(in millions)	2014	2013	Change
Net interest income	96	55	75%
Net fee and commission income	233	231	1%
Other operating income	140	245	-43%
Operating income	**469**	**531**	**-12%**
Operating expenses	**489**	**455**	**7%**
Operating result	**- 20**	**76**	
Impairment charges on loans and other receivables	- 1	- 0	
Operating profit before taxes	**- 19**	**76**	
Income tax expenses	- 4	30	
Underlying profit/(loss) for the period	**- 15**	**46**	
Special items		- 109	
Reported profit/(loss) for the period	**- 15**	**- 63**	

Other indicators

	2014	2013
Underlying cost/income ratio	104%	86%
Underlying cost of risk (in bps)[1]	- 1	

	31 December 2014	31 December 2013
Financial assets held for trading (in billions)[2]	8.9	11.3
Loans and receivables - customers (in billions)[3]	14.7	12.4
Financial liabilities held for trading (in billions)[2]	3.8	4.4
Due to customers (in billions)[3]	6.3	4.9
Risk exposure amount (in billions)[4]	12.8	12.2

1 Cost of risk consists of impairment charges on Loans and receivables - customers divided by average Loans and receivables - customers.
2 Excluding Derivatives due to the new presentation of the balance sheet.
3 Excluding Securities financing due to the new presentation of the balance sheet.
4 2013 figures are reported under Basel II and the 2014 figures are reported using the Basel III (CRD IV/CRR) framework.

Group Functions

Operating results

(in millions)	2014	2013	Change
Net interest income	28	- 115	
Net fee and commission income	- 21	- 37	43%
Other operating income	75	59	26%
Operating income	**82**	**- 93**	
Personnel expenses	758	762	-1%
Other expenses	- 641	- 465	-38%
Operating expenses	**117**	**297**	**-61%**
Operating result	**- 35**	**- 390**	**91%**
Impairment charges on loans and other receivables	- 28	- 4	
Operating profit before taxes	**- 7**	**- 386**	**98%**
Income tax expenses	- 21	- 87	75%
Underlying profit/(loss) for the period	**14**	**- 299**	
Special items	- 417	517	
Reported profit/(loss) for the period	**- 402**	**218**	

Group Functions posted an **underlying net profit** of EUR 14 million compared with an underlying loss of EUR 299 million in 2013. The sharp improvement was driven by higher net interest income and lower expenses.

Net interest income increased sharply by EUR 143 million compared with 2013. The rise was largely attributable to improved ALM interest result, in part as a result of re-allocation of the liquidity buffer costs.

Other operating income increased EUR 16 million. Favourable FX results and revaluations of trading book loans were partly offset by unfavourable hedge accounting results and the 2013 gain on the sale of an office property.

Personnel expenses remained virtually stable compared with 2013. Both years included additions to restructuring provisions and other one-offs of approximately the same magnitude.

Other expenses decreased EUR 176 million compared to 2013 mainly driven by a change in allocation method of IT costs as all IT costs are now allocated to the business segments.

Apart from this, expenses recorded at Group Functions were impacted by a higher release related to the DSB deposit guarantee scheme (EUR 66 million release in 2014 versus EUR 31 million release in 2013), accelerated depreciations in 2013 and by expenses incurred in connection with the ECB Asset Quality Review in 2014.

Other expenses include the allocation of operating expenses of Group Functions to the business segments as negative expenses.

Impairment charges on loans and other receivables showed a release related to legacy files from the former Prime Fund Solutions business, which was sold in 2011, and a release on exposures which were fully provided for in 2008.

Other indicators

	31 December 2014	31 December 2013
Securities financing - assets	14.5	15.3
Loans and receivables - customers (in billions)[1]	4.2	3.7
Securities financing - liabilities	12.6	11.1
Due to customers (in billions)[1]	2.5	3.1
Risk exposure amount (in billions)[2]	11.0	9.9
FTEs	7,362	7,321

1 Excluding Securities financing due to the new presentation of the balance sheet.
2 2013 figures are reported under Basel II and the 2014 figures are reported using the Basel III (CRD IV/CRR) framework.

Loans and receivables – customers increased to EUR 4.2 billion at 31 December 2014.

Due to customers decreased by EUR 0.6 billion to EUR 2.5 billion at 31 December 2014, primarily due to lower deposits to professional counterparties.

our people

This section sets out the bank's people strategy, what we achieved under this strategy in 2014 and our plans for the future.

Overview

We worked hard in 2014 to further implement our Top Class Employer strategy, and we moved forward in various areas. Employee engagement and our employer ranking improved, reflecting the bank's clearly recognisable corporate identity. As part of our drive to create a culture of excellence, we specifically devoted attention to leadership and talent management in 2014. We also made strides in the area of diversity, focusing mainly on gender, cultural diversity and disability. In addition, as part of our efforts to create the 'best place to work', the bank reached agreement with the trade unions on a new collective labour agreement, which includes a future-proof pension scheme in the Netherlands.

More information on remuneration can be found in the Remuneration report

Our workforce at a glance

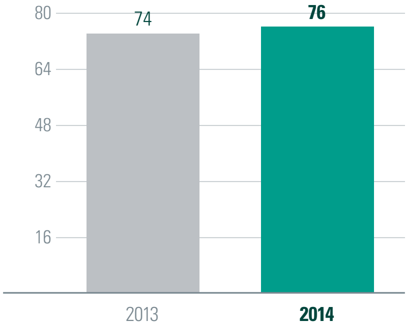
Total FTEs per segment

	2014	2013	Change
Retail Banking	6,258	6,503	-4%
Private Banking	3,599	3,442	5%
Corporate Banking	4,995	5,022	-1%
Group Functions	7,362	7,321	1%
Total	**22,215**	**22,289**	**-0%**

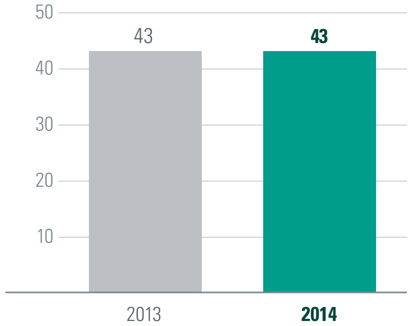
Geographic breakdown of FTEs

	2014	2013	Change
Netherlands	18,250	18,550	-2%
Rest of Europe	2,622	2,456	7%
Asia	854	751	14%
USA	364	341	7%
Rest of the world	125	191	-35%
Total	**22,215**	**22,289**	**-0%**

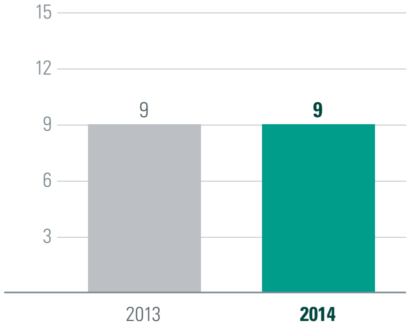
Employee engagement
(in %)



Female employees
(in %)



Total outflow[1]
(in %)



[1] Total outflow consists of natural attrition, reorganisations an other outflow such as outsourcing and leave of absence.

Top Class Employer strategy

We want to make a difference for our customers now and in the future, so we need a talented and committed workforce. Our Top Class Employer strategy aims to inspire employees to develop continuously and to make their own, unique contribution to the bank's sustainable growth. Employees who take ownership of these goals are our most valuable asset. They are at the heart of our ability to build long-lasting relationships with our clients.

Our Top Class Employer strategy is designed to attract, retain and motivate the best people

To engage employees with ABN AMRO and its purpose, we have defined a **corporate identity** that projects a clearly recognisable image of the bank to employees, customers and other stakeholders.

To help our people develop continuously and to keep our organisation agile, we strive to create a climate in which employees are given the opportunity to continuously improve their expertise and skills: **a culture of excellence**.

We give employees the autonomy they need to personalise their working conditions and create their **best place to work**. Allowing them to take control of their working lives will result in a mature employment relationship.

We evaluate our Top Class Employer Strategy on an annual basis. We do so by tracking several metrics on themes such as corporate identity, leadership, talent management and best place to work. Examples of metrics include our brand ranking, our overall score on engagement, our score on leadership qualities (derived from our Employee Engagement Survey) and diversity numbers.

Our corporate identity

We want to attract and retain the best people in the industry – people who are proud to work for ABN AMRO and who are ambassadors of the bank. We are shaping our identity based on our core values and business principles.

Engaged professionals drive sustainable business performance

At ABN AMRO, we understand that our employees are key to forging and growing lasting relationships with our clients. Our annual Employee Engagement Survey helps us to engage employees with ABN AMRO and its purpose because it gives us the information we need to strengthen engagement and, consequently, improve performance.

In 2014, two areas received specific attention in teams throughout the bank: Sustainability and Leadership. As a result, we saw a sharp increase in the scores for these elements. The introduction of the bank's new approach to leadership (see the Leadership section in this chapter) is already paying off: scores for 'My manager leads by example' and 'My manager encourages me to invest in my employability' rose by 10% and 8% respectively.

Eighty-two per cent of the workforce (an increase of 6% compared with 2013) completed the Employee Engagement Survey in 2014. The overall employee engagement score improved 2 percentage points in 2014 compared with 2013. This puts us almost at par with our financial services benchmark. The 2014 survey revealed a number of focus areas which we will address in 2015: communicating our vision for the future and facilitating collaboration across the bank so we can respond quickly to our clients' changing needs.

Doing the right thing: our values and principles

Our core values are Trusted, Professional and Ambitious. We also have a set of business principles, shown below, which guide us in how we engage with each other and with our clients. We promote our core values and business principles every day. With the values and principles now part of our performance management cycle, we hold every employee accountable for doing the right thing. We define 'doing the right thing' as committing to our mission and strategy, living our core values and business principles, and complying with internal and external rules and regulations.

This approach and our commitment to client centricity play an important role throughout the performance cycle and in our Human Resources (HR) policies. All Dutch bank employees will take the Banker's Oath in 2015. This oath is a logical extension of our core values and business principles. If an employee violates the Banker's Oath, he or she may be held accountable by an external disciplinary institute. This is in addition to our own measures.

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

Building a competitive workforce

We want to attract employees who continuously want to grow their expertise and skills in order to master their profession. This starts with offering an attractive employee proposition and selecting employees who are passionate about their work and have a strong moral sense.

We recruit staff through campaigns (including on social media) that target trainees, starters and experienced professionals. The annual Dutch Intermediair Image Survey rated us the number 7 employer in the Netherlands, rising from number 8 in 2013. Our goal is to rank among the top 5 for university and higher education graduates by 2017. In 2014 we mounted a series of campaigns targeting professionals, the first of this kind since 2009. We want to promote the bank among two key target groups: risk and IT professionals.

We offer Next Generation Professionals, a highly acclaimed trainee programme in the Netherlands. Trainees can design their own programme while getting to know various areas of the bank. They receive broad, international training while being exposed to head office.

Culture of excellence

We define a culture of excellence as a culture in which employees strive to excel at all times on behalf of the client and to constantly maximise their performance. We take our responsibility as an employer seriously by setting clear targets for every employee and helping our people get the best out of themselves. A culture that nurtures professionalism, creativity and accountability is the best way to get the most out of our talented and diverse workforce.

Sustainable management of talent

We recognise that it is the bank's responsibility to support every employee's professional development, so we now offer talent development programmes to all employees bank-wide rather than exclusively to a small group. But simply possessing talent is not enough: it is every employee's responsibility to use their talent. To promote an open dialogue between managers and staff, we have developed a method to facilitate this conversation (Talent Identification Tool), which will be introduced in 2015. As part of our commitment to continuous learning and development, we encourage employees to gain insight into their talents by offering self-assessments, exercises and workshops. Not all development takes place at the office: we help our staff learn on the job (70%), from colleagues (20%) and in a traditional classroom setting (10%).

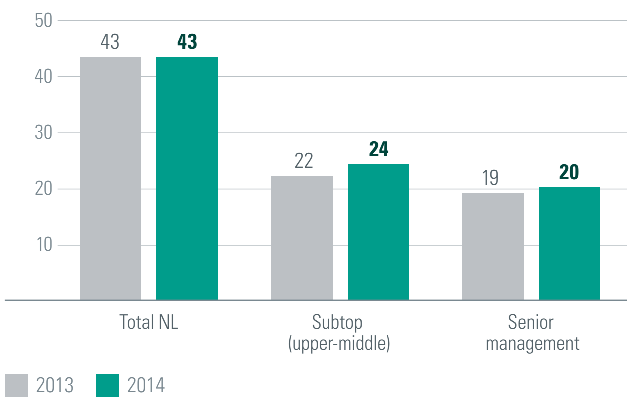
Succession management

Our succession management efforts are aimed at ensuring business continuity for key positions. We have had succession planning in place for senior management positions for several years. As from 2014, all positions directly under senior management and all country management teams are also in scope for succession management. Based on our talent identification method, appropriate development propositions are offered to potential successors to groom them to become 'ready now' successors.

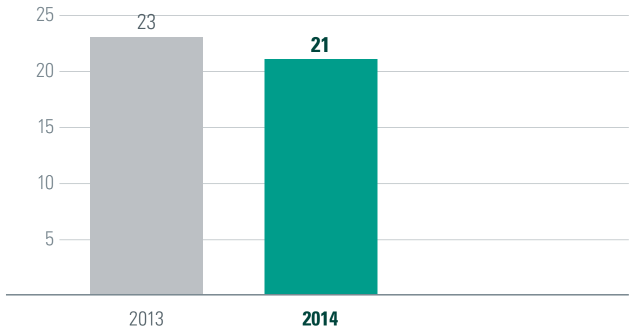
A diverse and inclusive workforce

A diverse workforce that reflects the communities we serve helps us to create the best solutions and customer experience while fostering innovation, respect and creativity. We want to create an environment in which all employees – regardless of race, gender, cultural background, age, sexual orientation or physical disability – feel free to be themselves. Inclusion is measured by the Fair Treatment Index, part of the Employee Engagement Survey and one of the most important aspects of engagement. In 2014, 79% of respondents gave this aspect a positive score, compared with 74% in 2013. We focused mainly on three areas in 2014: gender, cultural diversity and disability. With respect to gender, we achieved our target of placing women in 20% of senior management positions by 2014, in accordance with the Talent to the Top charter. Despite a sharp rise of 1.7%, we did not meet our target for upper middle managers (23.9% end of 2014 vs. target of 25%). At both levels, however, the percentage of women in management posts has been on a rising trend over the past three years. We will continue to target women graduates and trainees in the years ahead. We promote bank-wide awareness by tracking progress, organising conferences and training programmes, and liaising with other companies on diversity issues.

Female representation
(in %)



Trainees with culturally diverse background
(in %)



Accountability

A key aspect of our culture of excellence is the willingness of staff to take responsibility for their performance and the ability of managers to promote accountability and commitment to the bank's goals. Every employee needs clear goals to know what is expected of him or her. They need access to tools, information and other resources to be able to deliver, and they must also be able to measure results.

Our performance management framework aims to achieve a balance between financial and non-financial targets, quantitative and qualitative targets, and behavioural aspects to help us pursue our strategy and comply with internal standards and external regulations. We intensified our focus on accountability for performance in 2014, and will expand this in 2015. In preparation of the performance management cycle in 2015, we started to use our business principles as performance criteria for part of the workforce in 2014. We will extend this to all staff in 2015. In 2014, we also developed tools to improve the quality of performance dialogues and feedback.

Information about our remuneration policy can be found in the Remuneration section of this Annual Report

Leaders as catalysts for change

Managers at every level of the company play a pivotal role in motivating employees to realise ABN AMRO's goals. They are the catalysts for change. Our leadership programmes help managers execute the strategy and develop an inspiring leadership style. We introduced three Leadership Qualities in 2014 to clarify what we expect of our managers:

- People leadership: Unleash the full potential of our workforce;
- Performance management: Clarify direction and manage based on individual and team performance;
- Personal leadership: Act as a role model for employees.

The Leadership Qualities were launched during the 2014 Leadership Days in the Netherlands, the United States, Hong Kong and Belgium. Almost all of the bank's managers participated (3,000 managers attended). The Leadership Qualities have also been incorporated into recruitment, performance criteria and other HR processes, and the bank's Customer Excellence tools and methods. In the Employee Engagement Survey, we specifically ask employees to evaluate the leadership qualities of their managers, allowing us to track progress. We carry out a mandatory Leadership Qualities E-survey (360 degrees) to measure the effectiveness of our managers' leadership style.

Best place to work

Our business is all about people – and our people are our most valuable assets. So we offer them a challenging and rewarding environment in which they do meaningful work and add value for clients. Employees have opportunities to develop their talent and the freedom to customise their fringe benefits, work schedules and work location. These advantages are designed to keep our organisation agile and our people engaged.

Flexible working environment

The New World of Work is a series of measures designed to empower employees to work flexibly and remotely. We believe a healthy work/life balance, a smaller environmental footprint and greater efficiency are all ingredients of the best place to work. We drew up our vision of the New World of Work at ABN AMRO this past year and will implement it in the coming years. Part of this entails expanding and improving possibilities for working remotely. Around 11,000 of our Dutch employees (up from 1,000 in early 2012) and 1,150 employees based outside the Netherlands, or approximately 55% of our workforce, have the resources to work wherever and whenever they want.

Collective labour agreement

Following lengthy negotiations, the bank reached agreement with the trade unions on a new collective labour agreement on 2 April 2014 in the Netherlands (ending on 1 January 2016). The new agreement includes a freeze on salaries during the term of this agreement, adjustments to employee benefits and a future-proof pension scheme. We now comply with amended tax provisions as from 1 January 2014 and 1 January 2015. The bank's pension scheme was converted in mid-2014 from a defined benefit plan into a collective defined contribution plan. We also have collective labour agreements and/or social plans (redundancy schemes) in place in Australia, Belgium, France, Germany, Japan, Luxembourg, the UK and Spain.

More information on our collective labour agreements is provided on our website, abnamro.com

Personalised benefits

ABN AMRO offers its employees around the world a wide range of different benefits, including pensions, product discounts and leave schemes. In 2015, we will continue to explore how synergies in benefits can be achieved and what best practices can be shared internationally. Our goal is to offer all staff the freedom to compose their benefits packages geared to their own individual situation.

Our plans for the future

In the coming year we will implement the plans set out in this chapter by launching new initiatives so that we can live up to our ambition of being a Top Class Employer. Our focus will be on building on and improving the initiatives taken in recent years while responding to market developments. Among other things, we will monitor the success of our Top Class Employer efforts by measuring several key performance indicators on themes such as corporate identity, leadership, talent management and best place to work. Our plans for 2015 include launching a new Talent Identification Tool which is designed to facilitate a dialogue between staff and managers. We will also enable our leaders to promote accountability for talent development among staff.

Managers are crucial to the bank achieving its long-term ambitions

Managers are crucial to the bank achieving its long-term ambitions and becoming a Top Class Employer. So we need to be perfectly clear about what behaviour is expected from managers. Until recently, the bank prescribed different sets of rules and behavioural guidelines for managers (e.g. seven leadership competencies, CE leadership behaviours). These have been integrated into the Leadership Qualities, a single set of skills based on the business principles and our vision of leadership. These Leadership Qualities have been broken down into three main leadership roles: People Leadership, Performance Management and Personal Leadership.

The Leadership Qualities were introduced to all of the bank's managers worldwide during the 2014 Leadership Days in the Netherlands, the United States, Hong Kong and Belgium. Prior to the event, all managers were asked to organise a dialogue with their team members to ask for feedback on how effectively they put the Leadership Qualities into practice. Managers discussed the feedback with one another during the Leadership Days. All managers were asked to organise another team dialogue after the Leadership Days to share their insights with their teams. Managers were also asked to fill in an e-survey (360-degree feedback tool) on their Leadership Qualities performance and to conduct an ongoing dialogue with their team members to help them develop and grow.

sustainability

The following chapter provides an overview of our approach to sustainability. More detailed information on sustainability can be found in the ABN AMRO Group Sustainability Report 2014, which is available on our website.

Overview

Our sustainability strategy up to 2017 sets out our commitment to achieving a positively recognised position on sustainability and transparency. In 2014, we translated our broad strategic sustainability aspirations into specific material focus areas. Examples are transparent communication with clients, sustainable financing based on environmental, social and ethical (ESG) criteria and sustainable banking products and services. Looking ahead, we will continue to implement the performance metrics and targets we have set as we put our sustainability strategy into practice. This will enable us to report on our progress in an increasingly concrete and transparent manner, and consequently help us to further restore confidence in the bank.

Sustainability approach

Our pledge is to be a better bank contributing to a better world. Our strategy up to 2017 sets out our commitment to achieving a positively recognised position on sustainability and transparency. In order to achieve this ambition, we strive to inspire and engage our employees – and this is the starting point of our strategy.

Our sustainability strategy is based on the following aspirations:

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

In 2014, we translated our broad strategic sustainability aspirations into specific focus areas. These include transparent information, sustainable financing based on environmental, social and ethical (ESE) criteria and sustainable banking products and services.

In addition, we reviewed our sustainability strategy in 2014 by performing a materiality analysis in collaboration with the Dutch Association of Investors for Sustainable Development (VBDO). We investigated which topics our internal and external stakeholders consider most relevant.

In the course of this stakeholder dialogue, we linked the material topics to the pillars and focus areas of our sustainability strategy, enabling us to report accordingly. Examples of material issues are the privacy and security of clients' financial transactions, human rights at financed businesses and projects, and our offering of sustainable/green products and services.

Inspire and engage our people

An inspired and engaged workforce is vital to the success of our strategy. To this end, we promote sustainability internally and encourage our staff to get involved. Our efforts are clearly paying off: the score for Sustainability in the Employee Engagement Survey for 2014 rose from 45% to 61%. Examples of initiatives are the Green Quest project and the We Sustain programme. The Green Quest is a joint project with FD Mediagroep, GDF Suez Energie Nederland, Cofely and SITA. Independent external experts challenged the sustainability targets we set for the ABN AMRO buildings and looked for ways to stretch these targets. The 'We Sustain' programme challenged staff bank-wide to come up with innovative ideas to help clients make their operations more sustainable. As part of our efforts to engage staff, we will introduce new initiatives in 2015.

Better bank

Sustainable business operations

ABN AMRO wants to be a better bank contributing to a better world. This starts with making our own business operations more sustainable. In recent years we have been focusing increasingly on tax matters, which is supported by the materiality review we held in 2014. The prime issue here is whether or not internationally operating businesses pay their fair share of tax. To address this issue, we have increased our transparency on this topic by publishing our tax principles on our website.

Although the environmental impact of financial services providers is limited, we are concentrating our efforts on reducing our energy consumption. Our target is to decrease energy consumption in 2017 by 20-30% compared with 2012. Based on the reduction of 31% achieved in 2014, we met our 2017 target, thanks in part to a mild winter and to building closures.

We strive to secure the diversity, employability, continuous development of talent, and health and safety of our employees by means of our Top Class Employer strategy (see the Our people section of this report).

Clients' interests centre stage and sustainable relationships

In our drive to build long-term relationships with our clients, we strive to guarantee the privacy and security of their financial transactions at all times. To this end, this past year we implemented a set of self-imposed rules (Binding Corporate Rules), which we drew up in consultation with the Dutch Data Protection Authority. We evaluate our approach to privacy issues based on the number of complaints we receive on privacy violations.

We invest in making payment products and processes more secure for our clients. For instance, several systems are ISO 27001 certified. This is an ISO standard for information security. The measures taken have proved effective in the past two years: net losses due to phishing and malware are down 72% compared with 2012 for all Dutch banks combined (see the Risk & Capital Report).

In line with the outcome of the materiality study, and to help us build sustainable client relationships, we offer assistance to clients with mortgage payment problems. In 2014, various stakeholders expressed concerns about aspects of the mortgage policy pursued by ABN AMRO and other Dutch banks. As a matter of course, we take account of our stakeholders' opinions and expectations when fine-tuning our policy. Our stakeholder dialogue focused primarily on the residual debt issue, repossessions, the level of monthly payments and the margins banks earn on the sale of mortgages. In 2015, we will continue to take account of our stakeholders' opinions and expectations.

Better world

Financial expertise for the benefit of society

As part of our commitment to contributing to a better world, we actively seek out ways to offer our financial expertise to society. We do this by focusing on three areas: social entrepreneurship, facilitating talent and ambition, and sharing sector-specific knowledge.

When it comes to social entrepreneurship, we support entrepreneurs that share our vision. For instance, ABN AMRO has structured and co-financed continental Europe's first Social Impact Bond. In 2015, we will investigate whether the concept can be rolled out further to other municipalities and departments. ABN AMRO Informal Investor Services brings together Private Banking clients and SMEs, including social enterprises. Private Banking clients invest in these social enterprises and often offer advice as well.

To facilitate talent and ambition, we launched Partner of the Future in 2014, our sponsorship strategy designed to help people discover their talents and achieve their ambitions. Partner of the Future focuses on the areas of entrepreneurship, education, sport, art and culture, and identifies the links between them. The ABN AMRO Foundation gives form to our social commitment by encouraging bank employees to volunteer for community projects. Our employees volunteered 11,811 times on behalf of the Foundation in 2014, helping our social target groups.

Sustainability is part of the bank's sector-specific approach. In 2014, we published our Sustainable Fashion Guide, which helps our clients and relationship managers understand sustainability themes in the fashion industry and how to respond to them. We will draft reports for each sector in 2015 and include sustainability as an integral part.

Sustainable finance and investment services

The biggest contribution we make to society is increasing the sustainability of our finance and investment services and offering sustainable products and services.
ABN AMRO's sustainability approach is geared towards corporate financing on the one hand, and to investment services, mainly to private clients, on the other.

Sustainable financing

We take a responsible approach to doing business with companies and other professional parties. Based on the integrated sustainability assessment in our client acceptance process, we decide whether we want to set up a business relationship with them in the first place. Next, we assess specific client transactions. As a matter of course, we include environmental, social and ethical (ESE) criteria in our standard financial assessment process (see figure).

Risk determination	Assessment	Approval	Monitoring and Reporting
Identify sustainable risk of transactions	**Determine risk level > low - medium - high**	**Meets requirements >** standard procedure	**Meets requirements >** standard procedure
	Perform adequate due diligence	**Does not meet requirements >** extra monitoring, conditions or withdrawal	**Does not meet requirements >** progress report and supervision report

ABN AMRO works with customised guidelines for a number of high-risk industries. In addition to our existing sector policies, in 2014 we approved new industry-specific policies for energy, real estate and manufacturing. We are now in the process of revising our Defence Industry Policy.

We also refrain from engaging in business activities that are illegal or that we consider to be substandard or unethical. These activities are specified in the Exclusion List (see abnamro.com/en/sustainable-banking/sustainability-policy).

Our Human Rights Statement is in line with the UN Guiding Principles on Business and Human Rights. It is based on the idea that these universal rights should be viewed from the perspective of the individuals who hold them – the rights-holders. We work with organisations such as Shift and within the UNEP Finance Initiative to determine how we implement the Principles in our organisation and in our interaction with clients (supply chain) and other stakeholders. In addition, we are in the process of assessing the supply chains in the fashion, diamond and cocoa industries.

Sustainable investment services

ABN AMRO provides investment services to Retail and Private Banking clients. In 2014, we started developing the Sustainability Risk Management Policy for Investments, with a focus on environmental, social and governance criteria.

In asset management, we have been offering a specific sustainability mandate for many years. The mandate is based on a selection of leading large companies and pioneering smaller businesses that integrate sustainability into their core business processes. By the same token, we explicitly exclude companies with substandard and unethical practices and/or involvement in controversial products, such as cluster weapons, anti-personnel mines and biological or chemical weapons.

To further broaden the scope to include all of our investments, we aim to set a threshold for investments in line with the principles of the UN Global Compact. As from 2015, our Investment Engagement Committee will decide which companies will be excluded from our investment universe if they do not comply with the UN Global Compact Principles. This will significantly enlarge our sustainable impact in the future.

Sustainable products and services

ABN AMRO seeks to offer clients products and services that have a positive, sustainable impact on society. We support a range of green projects, including the financing of large scale off-shore wind parks such as Gemini (the world's second largest offshore wind farm project). Other deals concluded in 2014 include the financing of a sustainable cold-storage warehouse in the Dutch town of Urk, financing of a new boiler for a biomass power centre and the provision of financing for compressed natural gas stations.

Sustainable Assets under Management accounted for EUR 5,335 million in 2014 and we aim to increase that proportion in the future.

We are now working on the introduction of 'green bonds'. Green bonds create the perfect opportunity to connect sustainable business with dedicated investor demand.

Strategic ambition

Looking ahead, we will continue to implement the performance metrics and targets we have set as we put our sustainability strategy into practice. This will enable us to report on our progress in an increasingly concrete and transparent manner, and consequently help us to restore confidence in the bank.

We report on our sustainability progress yearly in our Annual Report, our Sustainability Report and on our website, abnamro.com.

ABN AMRO joins Shift's Business Learning Programme

In June 2014, ABN AMRO joined Shift's Business Learning Programme (BLP) for an intended period of three years. Shift is a leading centre of expertise on the UN Guiding Principles on Business and Human Rights. Through the BLP, Shift supports companies across different industries and regions in implementing the UN Guiding Principles (shiftproject.org). ABN AMRO's goal is to embed human rights firmly in its day-to-day business activities. Together with Shift we have defined a three-year programme to help us reach this goal.

The programme is aimed at embedding human rights in our strategy and values, creating awareness and promoting the involvement of all of our employees, including senior and middle management. In addition, we want to adopt a formal human rights policy that makes managing human rights part of our operating procedures bank-wide.

Furthermore, we actively train our people in the field of human rights, often in conjunction with training in other areas. In December 2014, we organised our first conference for around one hundred people (bankers and clients) on the UN Guiding Principles. Shift gave a presentation on the implications of the UN Guiding Principles for a financial institution like ABN AMRO, while we presented the first results of an assessment of our involvement with human rights impacts in the cocoa products supply chain, and how we can use our leverage to help affect change. We will reaffirm our focus on human rights in December 2015, when we will once again hold a conference on this issue.

responsibility statement

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

- The Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of ABN AMRO Bank N.V. and the companies included in the consolidation;
- The Annual Report gives a true and fair view of the state of affairs on the balance sheet date and the course of business during the financial year 2014 of ABN AMRO Bank N.V. and of its affiliated companies, of which data is included in its Annual Financial Statements;
- The Annual Report describes the material risks with which ABN AMRO Bank N.V. is faced.

Amsterdam, 13 April 2015

The Managing Board

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

risk & capital report

The Risk & Capital Report discloses comprehensive information on risk management, capital adequacy and funding. Some disclosures in the Risk & Capital Report contain audited information and are an integral part of the Annual Financial Statements.

Introduction to risk & capital management 88

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Market risk management 118
Business risk management 121
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introduction to risk & capital management

This section provides an introduction to the Risk & Capital Report. As the Risk & Capital Report includes information according to both EU IFRS and CRD IV/CRR, more information on scope differences and consolidation is given. This section also includes reference tables for Pillar 3 disclosures, EU IFRS disclosures and EDTF disclosures.

Contents

Risk & capital management

This chapter provides more information regarding ABN AMRO's approach to risk and capital management by describing strategy, policies, governance and valuation methods.

Risk & capital review EDTF 1

The portfolio composition and developments are described in the Risk & capital review section. This section also describes developments in ABN AMRO's major risk types and regulatory capital.

Additional risk & capital information EDTF 1

This chapter provides an overview of additional regulatory required disclosures.

Regulatory requirements Pillar 3 EDTF 1

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

Pillar 3 disclosures EDTF 1

The objective of Pillar 3 disclosures is to inform existing and potential investors in ABN AMRO on how the organisation manages risk and capital adequacy. Pillar 3 disclosures are part of the Basel framework which is based on the three pillar concept. Pillar 1 details the minimum capital requirements, Pillar 2 relates to the internal capital adequacy measurement and the supervisory review, and Pillar 3 relates to disclosures on capital and risk to encourage market discipline. ABN AMRO incorporates the relevant Pillar 3 disclosures in this Annual Report.

The Pillar 3 disclosures are prepared in accordance with the Capital Requirements Regulation (CRR). The following table provides an overview of where information on each Pillar 3 requirement can be found in the Annual Report. Pillar 3 disclosures are labelled as 'Pillar 3' in the respective headings.

Overview of Pillar 3 requirements EDTF 1

Pillar 3 disclosure requirement	Reference	Additional information
Scope of consolidation	Introduction to Risk & capital report; page 96	Risk exposure measurement and scope differences, and regulatory reporting scope section
Capital structure	Risk & capital review - Capital; page 184	Capital structure and further information on share capital, dividend and capital instruments section
Capital adequacy	Risk & capital management - Capital management; page 125 Risk & capital review - Capital; page 184	Capital management framework (Capital measurement and allocation) and minimum capital requirement section
Leverage ratio	Risk & capital review - Capital; page 184	Leverage ratio section
Risk management objectives, governance and policies	Risk & capital management; page 98	Risk & capital management (strategy, profile, governance, measurement, mitigation, concentration, management of forborne, past due and impaired loans)
Credit risk	Risk & capital review - Credit risk; page 134 Additional risk & capital information; page 192	Overall credit risk exposure in credit risk exposure section with specific focus on overall exposure and concentration (geography and industry). Maturity distribution disclosure in additional risk & capital information section
-Standardised approach	Risk & capital management - Credit risk management; page 108 Risk & capital review - Credit risk; page 134 Additional risk & capital information; page 192	Scope and approach in Regulatory capital in Risk approach section, overall Standardised Approach (SA) in Risk & capital review - Credit risk section and detailed SA approach exposure in additional risk & capital information
-Internal Ratings-Based approach	Risk & capital management - Credit risk management; page 108 Risk & capital review - Credit risk; page 134 Additional risk & capital information; page 192	Scope and approach in Regulatory capital, overall Internal Ratings-Based (IRB) in Risk & capital review - Credit risk section and detailed IRB approach exposure in additional risk & capital information
-Other approaches	Risk & capital management - Credit risk management; page 108 Risk & capital management - Liquidity risk management; page 122 Risk & capital review - Credit risk; page 134 Additional risk & capital information; page 192	Counterparty scope and approach in Specific counterparty risk in Credit risk management section, counterparty credit risk in Credit risk exposure section in Risk & capital review - Credit risk section with additional details on over-the-counter (OTC) derivatives in additional risk & capital information section. Liquidity risk management approach in Liquidity risk management section contains the collateral posting policy by a downgrade of ABN AMRO
Equity positions not in the trading book	Additional risk & capital information; page 192 Annual Financial Statements; page 257 (note 7, note 15, note 21)	Exposure of equities not held for trading in additional risk & capital information section. Details on equities not held for trading in several notes to the Annual Financial Statements
Credit risk mitigation	Risk & capital management - Credit risk management; page 108 Risk & capital review - Credit risk; page 134 Additional risk & capital information; page 192	Credit risk mitigation policies and processes in Credit risk management section, Overall regulatory credit risk mitigation exposures in Credit risk exposure section in Risk & capital review - Credit risk and additional risk mitigation details on SA and IRB approach in additional risk & capital information section

Credit quality	Risk & capital management - Credit risk management; page 108 Risk & capital review - Credit risk; page 134 Additional risk & capital information; page 192	Accounting and risk policies in Management of forborne, past due and impaired loans in Credit risk management section. Credit quality, past due and impairment disclosures split by geography and industry in Management of forborne, past due and impaired in Risk & capital review - Credit risk section
Market risk	Risk & capital management - Market risk management; page 118 Risk & capital review - Market risk; page 174	Market risk (trading book) approach in Market risk management section and regulatory capital requirements in market risk (trading book) section in Risk & capital review - Market risk section
Operational risk	Risk & capital management - Operational risk management; page 116 Risk & capital review - Operational risk; page 173	Operational risk approach in Operational risk management section and regulatory capital requirements in Risk & capital review - Operational risk section
Interest rate risk not in the trading book	Risk & capital management - Market risk management; page 118 Risk & capital review - Market risk; page 174	Market risk (banking book) approach in Market risk management section and regulatory capital requirements in market risk (banking book) section in Risk & capital review - Market risk section
Securitisations	Annual Financial Statements; page 257 (note 21)	Note 21 to the Annual Financial Statements, Approach, role and details on securitisation positions in the integral Securitsation section
Remuneration	Governance Report - Remuneration Report; page 242 Annual Financial Statements; page 257 (note 34)	Remuneration policies, principles and quantitative information on remuneration broken down by Idenitied Staff in Remuneration Report. Remuneration of Managing Board and Supervisory Board in note 34 to the Annual Financial Statements
Additional Pillar 3 disclosures	Published on abnamro.com	Capital instruments Reconciliation IFRS to regulatory balance sheet Own funds Asset encumbrance Global Systemically Important Banks indicators

EU IFRS EDTF 1

Some disclosures in the Risk & capital report are an integral part of the Annual Financial Statement (AFS) and contain audited information. The audited parts concern disclosures on financial instrument risk ('IFRS 7') and presentation of financial statements (IAS1). Audited information in these sections is labelled as 'audited' in the respective headings.

IFRS disclosures EDTF 1

	Reference	Additional information
IAS 1 Financial Statements: Presentation		
Further information on selected items presented in the Statement of financial position	Additional risk & capital information; page 192	Maturity analysis of assets and liabilities
	Risk & capital review - capital; page 184	Capital structure, Capital instruments, Minimum capital requirements
	Risk & capital review - funding; page 179	Liability and equity breakdown, Breakdown of customer deposits, Available funding instruments
IFRS 7 Financial Instruments: Disclosures		
Information on risk types		
Explanation of exposures to risk and how they arise	Risk & capital management - Risk approach; page 99	Selected sections in Risk & capital management
Objectives, policies and process for managing the risk types and the methods to measure the risks	Risk & capital management - Risk approach; page 99	Selected sections in Risk & capital management
Information on credit risk		
Credit risk concentration	Risk & capital review - Credit risk - Credit risk concentration; page 139 Additional risk & capital information - European exposures; page 199	Credit risk concentration, including Geographic concentration and Industry concentration, European government and government-guaranteed exposures
Maximum exposure to credit risk	Risk & capital review - Credit risk - Credit risk exposure; page 134 Additional risk & capital information - Credit risk exposure; page 192	Maximum exposure to credit risk sections in Credit risk and additional risk & capital information
Credit risk mitigation	Risk & capital review - Credit risk - Credit risk mitigation; page 144	Offsetting, netting, and collateral & guarantees of financial assets and liabilities
Credit quality	Risk & capital review - Credit risk exposure; page 134	Credit quality by exposure class
	Risk & capital review - Management of forborne, past due and impaired loans; page 149	Ageing of past due not classified as impaired
	Risk & capital review - Management of forborne, past due and impaired loans; page 149 Risk & capital review - Management of forborne, past due and impaired loans; page 149	Coverage and impaired ratio, Coverage ratio, Impaired ratio, Loan impairment charges and allowances
	Risk & capital review - Management of forborne, past due and impaired loans; page 149 Additional risk & capital information - Additional information on forborne, past due and impaired loans; page 200	Overview of forborne assets in Risk & capital review. Forbearance credit quality, Forborne assets by geography, Forborne assets by business segment in Additional risk & capital information

Information on liquidity risk		
Maturity analysis for non-derivative financial liabilities (including financial guarantees) showing the remaining contractual maturities	Additional risk & capital information - Maturity analysis of assets and liabilities; page 204	Maturity based on contractual undiscounted cash flows
Maturity analysis for derivative financial liabilities, where essential for understanding the timing of the cash flows	Additional risk & capital information - Maturity analysis of assets and liabilities; page 204	Maturity based on contractual undiscounted cash flows
Liquidity risk management	Risk & capital management - Liquidity risk management; page 122 Risk & capital review - Liquidity risk - Liquidity risk management; page 177 Risk & capital review - Funding; page 179	Liquidity risk management in Risk & capital management section. Loan-to-Deposit ratio, Liquidity buffer composition, Liquidity buffer currency diversification and liquidity buffer monthly average in Liquidity risk review section.
Information on market risk		
Sensitivity analysis for each type of market risk	Risk & capital review - Market risk - Total market risk exposure; page 174	Market risk in the banking book, Internal aggregated diversified and undiversified VaR for all trading positions
Methods and assumptions	Risk & capital management - Market risk management; page 118	Market risk management trading book, Market risk measurement, Market risk in the banking book, Market risk (Foreign exchange risk), Market risk (Pension fund)

Enhanced Disclosure Task Force (EDTF) EDTF 1

The Enhanced Disclosure Task Force (EDTF) was formed in 2012 in order to enhance the risk disclosures of banks and other financial institutions. The EDTF is an industry work group with wide geographical representation, including senior executives from leading financial institutions. On 29 October 2012, the EDTF together with the Financial Stability Board (FSB) published a report with 32 recommendations on how to enhance risk disclosures. ABN AMRO embraces the EDTF principles and recommendations and has implemented the vast majority of the 32 recommendations. The following table provides an overview of where information on each EDTF recommendation can be found in the Annual Report. EDTF disclosures are labelled as ‘EDTF’ in the respective headings.

Overview of EDTF recommendations EDTF 1

	Brief description	Reference	Additional information
General			
1	Present all related risk information together in any particular report	Risk & Capital Report; page 87	All risk information provided in Risk & Capital Report; IFRS, Pillar 3 and EDTF. Reference tables for Pillar 3, IFRS and EDTF included
2	Define the bank's risk terminology and risk measures and present key parameter values used	Risk & capital management; page 98	Risk approach section and credit, operational, market, business and liquidity risk management sections. Funding and capital management sections
3	Describe and discuss top and emerging risks	Strategic Report - Key trends; page 10	Described in key trends section in the Strategic Report
4	Once the applicable rules are finalised, outline plans to meet each new key regulatory ratios	Risk & capital management - Liquidity management; page 122 Risk & capital management - Funding management; page 124 Risk & capital management - Capital management; page 125	Capital management strategy, funding management and liquidity strategy in the relevant subsections of Risk & capital management section
Risk governance and risk management strategies/business model			
5	Summarise prominently the bank's risk management organisation, processes and key functions	Risk & capital management - Risk approach; page 99	Risk approach in the Risk & capital management section
6	Provide a description of the bank's risk culture, and how procedures and strategies are applied to support the culture	Risk & capital management - Risk approach; page 99	Risk culture in Risk approach section. This includes a reference to the Remuneration Report in the Governance Report
7	Describe the key risks that arise from the bank's business models and activities, the bank's risk appetite in the context of its business models and how the bank manages such risks	Risk & capital management - Risk approach; page 99	Risk approach section describes risk taxonomy and key risks and Key developments are described in the Risk & capital review section
8	Describe the use of stress testing within the bank's risk governance and capital frameworks	Risk & capital management - Risk approach; page 99 Risk & capital management - Market risk management; page 118	Stress testing in Risk approach section and Stress testing in Market risk management section
Capital adequacy and risk exposure amount			
9	Provide minimum Pillar 1 capital requirements	Risk & capital review - Capital; page 184	Minimum capital requirements in the Capital section
10	Summarise the composition of capital based on templates adopted by the Basel committee	Risk & capital review - Capital; page 184	Regulatory capital structure in the Capital section
11	Present a flow statement of movements since the prior reporting date in regulatory capital, including changes in common equity tier 1, tier 1 and tier 2 capital	Risk & capital review - Capital; page 184	Regulatory flow statement and capital ratios developments in the in the Capital section
12	Qualitatively and quantitatively discuss capital planning	Risk & capital management - Capital management; page 125	Capital management strategy addressed in the Capital management section. Further refinement to be addressed in future disclosures
13	Provide granular information to explain how risk exposure amounts (REA) relate to business activities and related risks	Risk & capital review - Key developments; page 129	Key figures per business segment in the Key developments section

14	Present a table showing the capital requirements for each method used for calculating REA for credit risk, for each Basel asset class as well as for major portfolios within those classes	Risk & capital review - Credit risk; page 134 Risk & capital review - Capital; page 184	Overall Exposure at Default (EAD) and REA disclosure in Credit risk section describing EAD per methodology and subsequently minimum capital requirement section in Capital section presenting capital requirements per methodology. Further refinement to be addressed in future disclosures
15	Tabulate credit risk in the banking book showing average probability of default (PD) and LGD as well as exposure at default (EAD), total REA and REA density for Basel asset classes and major portfolios within the Basel asset classes	Risk & capital review - Credit risk; page 134 Additional risk & capital information; page 192	Credit risk exposure in Credit risk section and detailed Internal Ratings-Based (IRB) approach disclosures in additional risk & capital information section. Further refinement to be adressed in future disclosures
16	Present a flow statement that reconciles movements in REA for the period for each REA risk type	Risk & capital review - Credit risk; page 134 Risk & capital review - Operational risk; page 173 Risk & capital review - Market risk; page 174	REA flow statements in Credit risk section, Operational risk section and Market risk section. Regulatory capital in Market risk in the trading book and Regulatory capital in Operational risk section
17	Provide a narrative putting Basel Pillar 3 back-testing requirements into context, including how the bank has assessed model performance and validated its models against default and loss	Risk & capital management - Market risk management; page 118	Risk models and model validation section in Credit risk management and Market risk measurement section in Market risk management section
Liquidity			
18	Describe how the bank manages its potential liquidity needs and provide a quantitative analysis of the components of the liquidity reserve held to meet these needs	Risk & capital management; page 98	Strategy section and Liquidity risk management approach section in the Liquidity risk management section
Funding			
19	Summarise encumbered and unencumbered assets in a tabular format by balance sheet categories	Annual Financial Statements; page 257 (note 31)	Note 31 Transferred, pledged, encumbered and restricted assets. Further refinement to be adressed in future disclosures
20	Tabulate consolidated total assets, liabilities and off-balance sheet commitments by remaining contractual maturity at the balance sheet date.	Additional risk & capital information; page 192	Contractural maturity of assets and liabilities section
21	Discuss the bank's funding strategy, including key sources and any funding concentrations, to enable effective insight into available funding sources, reliance on wholesale funding, any geographical or currency risks and changes in those sources over time.	Risk & capital management - Funding management; page 124 Risk & capital review - Funding; page 179	Strategy in the Funding management section. Further details of sources and funding concentration in the Funding subsection in the Risk & capital review section
Market risk			
22	Provide information that facilitates users' understanding of the linkages between line items in the balance sheet and the income statement with positions included in the traded and non-traded market risk disclosures such as risk factor sensitivities, economic value and earnings scenarios and/or sensitivities	Risk & capital review; Market risk - page 174	Market risk exposure traded and non-traded risk in Market risk section

23	Provide further qualitative and quantitative breakdowns of significant trading and nontrading market risk factors beyond interest rates, foreign exchange, commodities and equity measures	Risk & capital management - Market risk management; page 118	Market risk exposure and Regulatory capital in Market risk trading & banking book. Given the materiality of market risk at ABN AMRO this requirement will be further addressed in future disclosures if material
24	Provide qualitative and quantitative disclosures that describe significant market risk measurement model limitations, assumptions, validation procedures, use of proxies, changes in risk measures and models through time and descriptions of the reasons for back-testing exceptions.	Risk & capital management - Market risk management; page 118	Market risk measurement sections in Market risk trading & banking book. Given the materiality of market risk at ABN AMRO this requirement will be further addressed in future disclosures if material
25	Provide a description of the primary risk management techniques employed by the bank to measure and assess the risk of loss beyond reported risk measures and parameters, such as VaR, earnings or economic value scenario results	Risk & capital management - Market risk management; page 118	Market risk measurement sections in Market risk trading & banking book. Given the materiality of market risk at ABN AMRO this requirement will be further addressed in future disclosures if material
Credit risk			
26	Provide information that facilitates users' understanding of the bank's credit risk profile, including any significant credit risk concentrations	Risk & capital review - Credit risk; page 134	Credit risk section, including granular exposure breakdowns, off-balance sheet commitments and concentrations of credit risk
27	Describe the policies for identifying impaired or non-performing loans, including how the bank defines impaired or non-performing, restructured and returned-to-performing (cured) loans as well as explanations of loan forbearance policies	Risk & capital management - Credit risk; page 134	Accounting & risk policies in Management of forborne, past due and impaired loans sections
28	Provide a reconciliation of the opening and closing balances of non-performing or impaired loans in the period and the allowance for loan losses	Risk & capital review - Credit risk; page 134	To be addressed in future disclosures. Current disclosure in loan impairment charges and allowances in Credit risk section presents opening and closing balance of impairment charges and allowances
29	Provide a quantitative and qualitative analysis of the bank's counterparty credit risk that arises from its derivatives transactions	Risk & capital management - Credit risk management; page 108 Risk & capital review - Credit risk; page 134	Specific counterparty credit risk section describing models used and Counterparty credit risk disclosure in Risk & capital review provides quantitative information
30	Provide qualitative information on credit risk mitigation, including collateral held for all sources of credit risk and quantitative information where meaningful	Risk & capital management - Credit risk management; page 108 Risk & capital review - Credit risk; page 134	Credit risk mitigation section describing mitigation management and quantitative disclosures in the risk & capital review section
Other risks			
31	Describe 'other risk' types based on management's classifications and discuss how each one is identified, governed, measured and managed	Risk & capital management; page 116 and 121	Operational risk management and Business risk management
32	Discuss publicly known risk events related to other risks, including operational, regulatory compliance and legal risks, where material or potentially material loss events have occurred	Risk & capital review - Operational risk; page 173 Annual Financial Statements; page 257 (note 32)	Information on operational risk events; page 173, Information on contingencies in note 32 to the Annual Financial Statements

Risk exposure measurement and scope differences Pillar 3

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

IFRS reporting scope EDTF 1

The consolidation scope of ABN AMRO is determined in accordance with IFRS 10 Consolidated Financial Statements and IFRS 11 Joint arrangements. More information can be found in note 1 to the Annual Financial Statements. Further details on reconciliation between EU IFRS and Basel exposures are provided in the Risk & capital review section.

Regulatory reporting scope Pillar 3

The scope of consolidation for the purpose of calculating regulatory and economic capital (based on the CRR and CRD IV) is generally the same as the consolidation scope under EU IFRS and includes subsidiaries directly or indirectly controlled by ABN AMRO that are active in the banking and finance sectors. However, subsidiaries consolidated under EU IFRS that are active in sectors other than banking and finance are excluded from the regulatory scope of consolidation. The table below describes the differences in consolidation for the purpose of calculating regulatory capital requirements and for the purpose of financial reporting under EU IFRS.

As ABN AMRO applies the CRD IV/CRR for determining its regulatory and economic capital, it is subject to reporting requirements to its home supervisors, the European Central Bank and De Nederlandsche Bank. The capital and related reporting requirements in the CRD IV/CRR apply to ABN AMRO at the following scopes:

- ABN AMRO Group N.V. consolidated;
- ABN AMRO Bank N.V. solo with its Dutch subsidiaries and foreign branches (solo consolidation);
- Sub-consolidated application for ABN AMRO Clearing Bank N.V., Neuflize Vie, Bethmann Bank A.G., ABN AMRO Bank (Luxembourg) S.A.

The Pillar 3 information included in this report is reported according to the ABN AMRO Group N.V. consolidated scope. There are no material differences between ABN AMRO Group and ABN AMRO Bank.

ABN AMRO has acquired waivers to apply the capital and related reporting requirements on a solo basis to its Dutch credit subsidiaries. These waived subsidiary credit institutions are included in ABN AMRO's solo consolidated scope. Sub-consolidated reporting is not applicable to the credit institution subsidiaries in the Netherlands, with the exception of ABN AMRO Clearing Bank N.V.

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

Differences in scope of consolidation between EU IFRS and regulatory reporting Pillar 3

Entity	Financial reporting under EU IFRS	Capital treatment under the Capital Requirements Regulation	Main related entities
Insurance companies	Fully consolidated entities engaged in insurance activities.	The required capital is based on the equity investment in insurance entities.	ABN AMRO Captive N.V., White Rock Insurance (Gibraltar) PCC Limited/Cell, ABN AMRO Life Capital Belgium N.V., ABN AMRO Life S.A.
Subsidiairies engaged in non-banking and non-insurance subsidiairies	This category includes entities engaged in non-financial activities, which are consolidated in accordance with IFRS requirements.	The required capital is based on the equity investment in these subsidiaires.	Sumsare N.V., KEEP SPV LTD N-SHARE, ABN AMRO Arbo Services B.V., Landgoed Duin & Kruidberg B.V., ABN AMRO International Data Center SA
Securitisation vehicles	This category includes securitisation special purpose vehicles, which are consolidated in accordance with IFRS requirements.	Securitisation vehicles that are treated under the securitisation framework are not consolidated for regulatory capital purposes, but are risk-weighted under the securitisation framework.	SMILE Securitisation Company 2007 B.V.
Associates, participations and joint ventures engaged in non-financial activities	Accounted for on an equity basis.	The required capital is based on the equity investment in non-financial associates, participations and joint ventures.	Delta Lloyd ABN AMRO Verzekeringen Holding B.V. (NC), AACBOF NEBO B.V. (INV), Alma Maritime Ltd., MP Solar B.V. (NC), Aline Holding S.A. (NC) (see note 21 to the Annual financial statements for more information).
Associates, participations and joint ventures engaged in financial activities[1]			

[1] These activities don't exceed the regulatory threshold and are therefore risk-weighted for their exposure.

risk & capital management

This section provides an overview of ABN AMRO's risk and capital management approach, including strategies, measurement approaches and risk governance framework. Portfolio developments are described in the Risk & capital review section.

Overview

The European Central Bank (ECB) took over the supervisory role of De Nederlandsche Bank (DNB) in November 2014. In preparing for the changeover, the ECB performed a comprehensive assessment which consisted of an Asset Quality Review and a stress test. The bank is pleased that its prudent risk management approach was confirmed, as ABN AMRO comfortably passed this assessment.

To ensure adequate management and to respond to bank-wide regulatory and supervisory changes, including additional requirements for disclosure of highly detailed risk information, the bank has installed the ECB DNB Risk and Finance Desk. The desk is composed of two joint supervisory teams (Risk and Finance). These two teams coordinate data and information requests from the regulators and are responsible for correctly assessing and executing their requests regarding risk and finance-related subjects.

The bank managed to further optimise the sector-based risk approach throughout the Risk Management organisation, which is focused on improved risk knowledge and awareness. The approach, which has been implemented since 2013, allows us to better monitor and manage portfolio intake and sector concentration.

In 2014, the bank implemented the Advanced Measurement Approach (AMA) for internal purposes to calculate the risk exposure for operational risk. The application for AMA status will be submitted to the regulators in 2015. As part of implementing the Advanced Measurement Approach, the bank further strengthened its bank-wide operational risk awareness through training and e-learning.

The bank formally applied for the Internal Model Approach (IMA) for market risk in the trading book at the end of 2014. Pending regulatory approval, this approach is already being used for internal risk management purposes, as well as for the computation of economic capital.

Risk approach

ABN AMRO is committed to being a well capitalised bank with sufficient liquidity that focuses on delivering sustainable value to our stakeholders. We are committed to maintaining a moderate risk profile and we thoroughly evaluate on an ongoing basis the long-term risk and return implications of our operations.

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

Clean & strong balance sheet

- Loan portfolio matched by client deposits, long-term debt and equity
- International growth asset & liability matched
- Limited trading and client driven and investment banking activities
- Limited exposure on highly indebted sovereigns

Diversification & focus in portfolio

- Full-service bank in the Netherlands & focus on selective markets and client segments
- Understanding of business & clients needs
- Commercial loan portfolio diversified with appropriate concentration limits
- Only onboarding risks we understand
- International growth is capability led & focussed on core geographic markets
- Focus on collateralised lending, no exposure to CDOs or CLOs

Sustainability & transparency

- Positively recognised position on sustainability & transparency
- Transparency in products, cost structure and our involvement in specific industries
- Long-term interests above short term gains
- Supporting policies, business rules, resources

Sound capital & liquidity management

- Position ourselves well above regulatory requirements in terms of capital ratios
- Compliance with regulatory requirements regarding leverage ratio, LCR, NSFR
- Manage on the basis of risk-adjusted return

Clear governance

- Corporate strategy & risk monitoring process are part of the Bank Risk Appetite
- Continue to invest in education on risk awareness and the 'Three Lines of Defence' principles
- Business line specific risk appetite statements further specify the Bank Risk Appetite at business line level

Risk management strategy Pillar 3

Risk profile Pillar 3 EDTF 2 EDTF 7

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

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

Senior management continuously monitors the bank's activities in light of the risk appetite. The status and outlook are discussed on a monthly basis in the Managing Board by means of the Enterprise Risk Management report. The Managing Board addresses the risk profile and reviews both the individual risk types and the integrated, bank-wide risk profile.

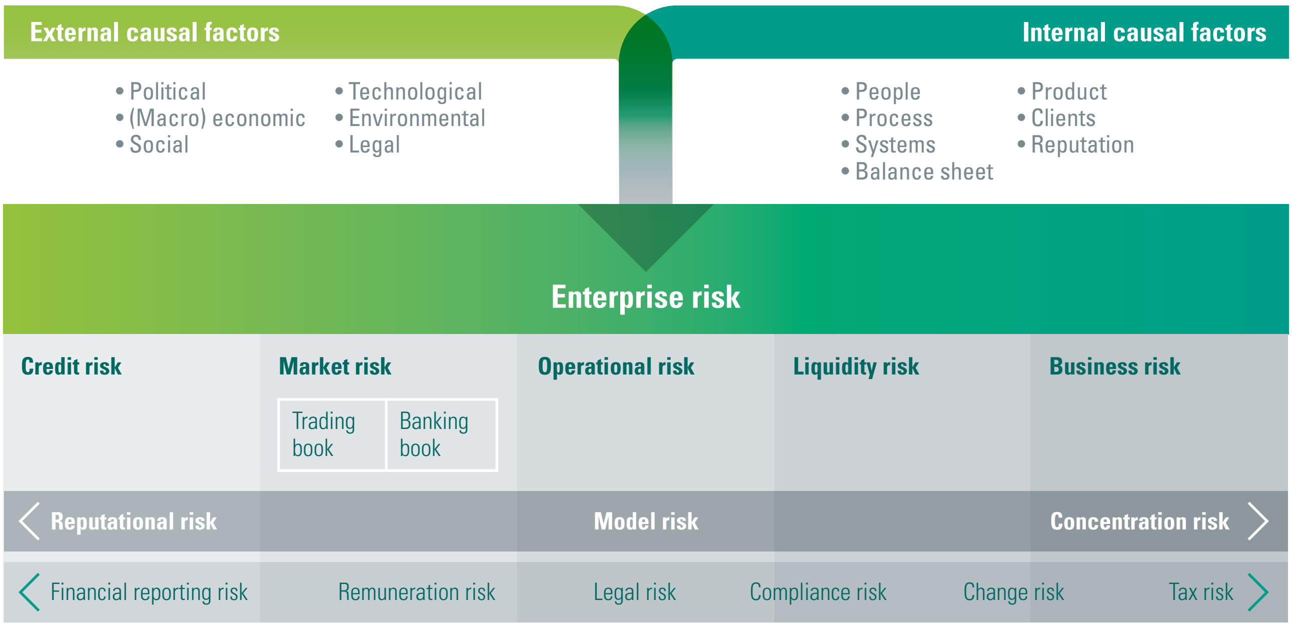
ABN AMRO uses a number of instruments to manage and control its risk profile. The following sections describe these instruments: the risk taxonomy that identifies the key risk types, the risk appetite that sets the limits for all these risk types, the risk measurement and reporting of the risk appetite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

Risk taxonomy Audited

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

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

Risk taxonomy Audited EDTF 7



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

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

Risk appetite Audited

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

Risk appetite is, among other things, defined in terms of:
- minimum levels for capital ratios;
- risk-adjusted return measures;
- concentration limits for single counterparties;
- concentration limits for countries and industry sectors;
- liquidity ratios (Loan-to-Deposit ratio, LCR and NSFR);
- market risk ratios;
- operational risk ratios.

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

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

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

Risk culture EDTF 6

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

Employees are expected to be aware of the drivers of our risk profile and should feel accountable for the risks they take. We introduced the Integrated Risk Management training in 2013, which is mandatory for all employees of the Risk Management department. The training emphasises the importance of taking a holistic view of risks. The training will also be introduced in 2015 to employees of the International Clients and Commercial Clients sub-segments. Furthermore, employees are expected to adhere to the ABN AMRO business principles. These principles are the basis of all the actions taken and describe how we act as a bank, how we make decisions, and how we deal with various dilemmas.

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

Risk governance Audited Pillar 3 EDTF 5

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

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

Three lines of defence

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

The three lines of defence principle is summarised in the following figure.

Three lines of defence Audited Pillar 3

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

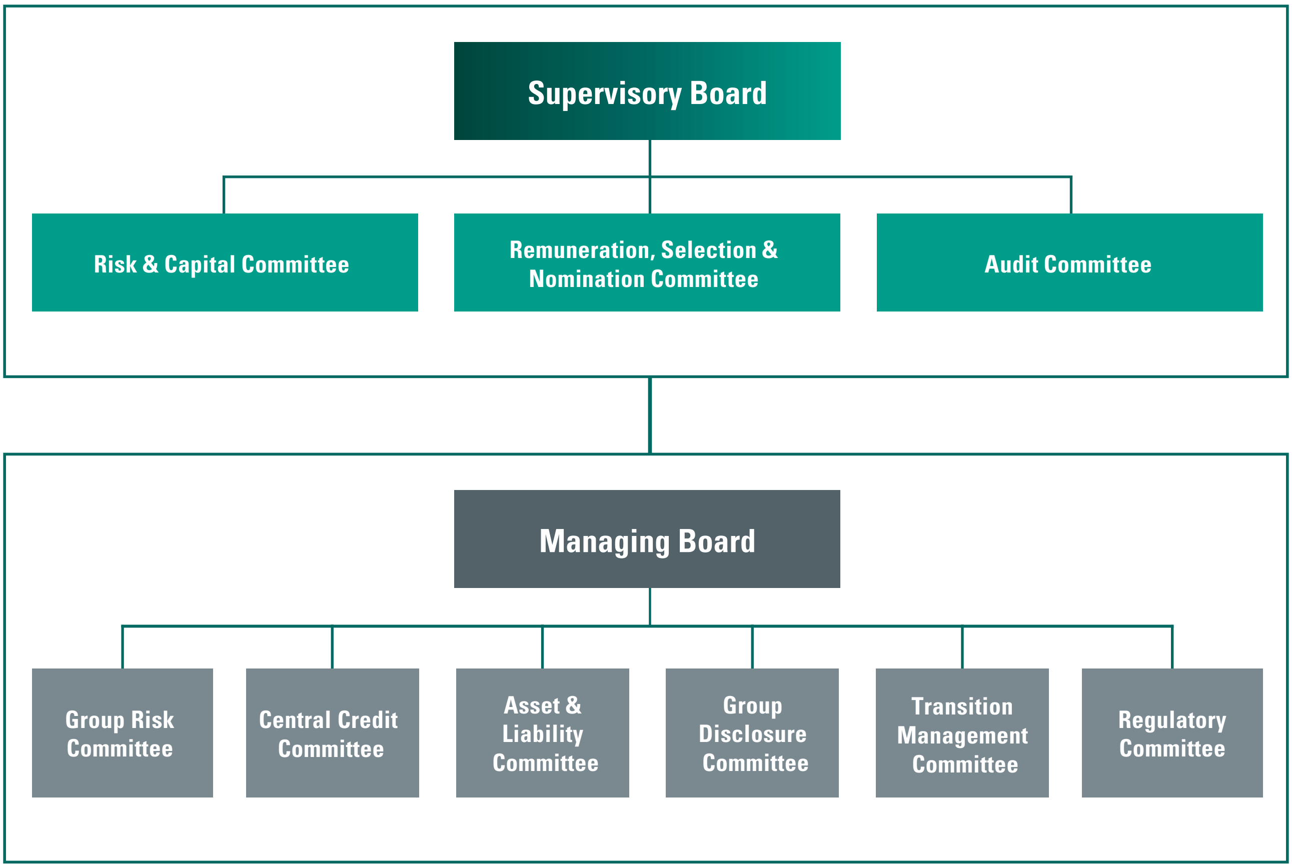
Risk decision framework

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

The Managing Board establishes clear lines of responsibility and authority within the bank to ensure sound risk governance. In the risk decision framework, the Managing Board is supported by three executive risk committees: Group Risk Committee, Central Credit Committee and Asset & Liability Committee, each of which is (jointly) chaired by a member of the Managing Board. In addition, the Managing Board itself takes decisions that are of material significance to the risk profile, capital allocation and liquidity of ABN AMRO.

The Supervisory Board is responsible for approving ABN AMRO's risk appetite statements and assesses whether the bank's commercial interests, capital allocation and liquidity requirements in general terms comply with the bank's risk appetite. The Supervisory Board also oversees the risk governance and execution of ABN AMRO's strategy as performed under the responsibility of the Managing Board.

Risk decision framework Audited Pillar 3



Group Risk Committee

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

Central Credit Committee

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

Asset & Liability Committee

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

Group Disclosure Committee

The Group Disclosure Committee is responsible for advising and assisting the Managing Board in fulfilling its responsibilities for overseeing the integrity, accuracy and timelines of public disclosures and its associated processes.

Transition Management Committee

The Transition Management Committee (TMC) is mandated by the Managing Board to oversee the progress and monitor the cross-domain interdependencies of the bank's key programmes. In addition, the TMC functions as escalation instance for these programmes.

Regulatory Committee

The Regulatory Committee is responsible for maintaining oversight on the changing regulatory landscape and how the bank is adapting to it, taking care of and reporting on regulatory changes and the preparation of decision making related to such regulatory changes.

Risk measurement Pillar 3 EDTF 2

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

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

Risk models and model validation Audited EDTF 17

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

All internal models are validated by the independent Model Validation department. Validation guidelines are specified to ensure objectivity, consistency, transparency and continuity. Models are validated according to these principles and reviewed against internal requirements and regulatory requirements.

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

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

Credit risk models

The bank uses internal models to estimate Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) parameters. These models are embedded in the credit approval and internal reporting processes and are used to measure the credit risk in exposures to individual clients and portfolios. The same parameters are also used to calculate risk-adjusted return on capital, economic capital and the minimum regulatory capital requirements under the Basel Advanced Internal Ratings-Based (AIRB) approach.

Operational risk models

Operational risk loss events are systematically collected and analysed on a bank-wide basis. ABN AMRO has a framework in place to manage its exposure to operational risk. Operational risk assessments are key in systematically assessing operational risks in ongoing business and in proposed changes. Progress on outstanding operational risk issues is monitored through issue management and action tracking. Operational risk exposures are analysed and reported to senior management to support decision-making.

Market risk models

ABN AMRO uses Value-at-Risk (VaR) models to measure market risk of exposures in both the trading book and the banking book. Value-at-Risk is used for the internal monitoring and reporting of positions relative to the limits in place. In addition to VaR, other instruments to measure market risk are used as well, e.g. stress tests.

Capital

Regulatory capital (CRD IV/CRR) Audited Pillar 3

The Basel framework defines capital requirements for banks as the absolute minimum amount of capital required to cover the financial risks that a bank faces. For Pillar 1 this is expressed in risk exposure amount (REA) for the three major risk types. The capital requirements are stated as a percentage (set by the regulators) of the REA. Formal Advanced Internal Ratings-Based approval was obtained in 2013. The bank is also preparing for implementation of the Advanced Measurement Approach (AMA) for operational risk and the Internal Models Approach (IMA) Method for market risk. AIRB, AMA and IMA are the most sophisticated approaches available under the regulatory framework for credit risk, operational risk and market risk respectively. Applying the most sophisticated approaches allows usage of internal models and parameters for regulatory purposes.

Credit risk: Standardised and Internal Ratings-Based approach
More than 85% of the REA is calculated based on the AIRB approach. All exposure classes are reported under AIRB. A number of smaller portfolios are temporarily calculated based on the Standardised Approach (SA), as they are scheduled to be transferred to the AIRB approach at a later stage. Some portfolios are subject to permanent exemption (with the relevant portfolio following the SA on a permanent basis).

Portfolio items are allocated by ABN AMRO to the following exposure classes as defined within the EU Capital Requirements Regulation (CRR):
- Central governments and central banks (AIRB and SA): exposures to Central governments and central banks mainly include sovereign securities, deposits with central banks and exposures guaranteed by a sovereign;
- Multilateral development banks (SA): exposures to multilateral development banks that are created by a group of countries that provide financing and professional advising for the purpose of development;
- Exposures to international organisations (SA): exposures to certain organisations including the European Union and the International Monetary Fund;
- Institutions (AIRB and SA): exposures to Institutions mainly include exposures arising from transactions with credit institutions and investment firms;
- Corporates (AIRB and SA): exposures to Corporates mainly include lending and other exposures to corporate obligors, including specialised lending activities, small and medium-sized enterprises (SMEs) and private banking clients;
- Retail (AIRB and SA): exposures to individual persons as well as those to SMEs with an exposure not exceeding EUR 1 million. The exception is Retail mortgages where there is no exposure threshold. The exposures eligible for this category each represent one of a significant number of similarly managed exposures. The main subclasses of the Retail exposure class are Retail mortgages, Qualifying revolving exposures (for instance credit card exposures and part of the consumer exposures), and other retail exposures;
- Exposures secured by mortgages on immovable property (SA): exposures or any part of exposures fully secured by mortgage on residential or commercial immovable property;
- Equities not held for trading (AIRB): investments in equity both private and exchange traded equity;
- Exposures in the form of covered bonds (SA): bonds that are issued by a credit institution which has its registered office in an EU member state and that are subject by law to special public supervision designed to protect bond-holders;
- Securitisation positions (AIRB): exposures to securitisations, that consist of retained notes issued by Special Purpose Vehicles (SPVs) set up by ABN AMRO to securitise own originated assets;
- Notes issued by SPVs set up by third parties that fall under the securitisation framework. This also includes guarantees, liquidity facilities and swap positions where the counterparty is a securitisation vehicle;
- Exposures in default (SA): items where the obligor has defaulted either because it is unlikely to pay its credit obligations and/or is past due more than 90 days on any material credit obligation;
- Other non-credit obligation assets (AIRB): assets such as buildings, equipment;
- Other items (SA): items including prepayments and accrued income.

Operational risk: Standardised and Advanced Measurement Approach
ABN AMRO uses the Standardised Approach for operational risk as an intermediate step and rolled out the Advanced Measurement Approach framework. Application of AMA to regulatory capital is subject to supervisory approval. ABN AMRO aims to submit the application for the AMA status to the regulator for approval in 2015. The AMA approach is already in use for the calculation of economic capital.

Market risk: Standardised and Internal Models Approach
At present, ABN AMRO uses the Standardised Approach for market risk. The bank has implemented the Internal Models Approach for calculating market risk capital and has submitted the application for IMA to the regulator for approval.

Economic capital

In addition to regulatory required capital, ABN AMRO also calculates economic capital (EC) and uses this as the key metric for internal risk measurement and management. Economic capital is the amount of capital ABN AMRO needs to hold in order to achieve a sufficient level of protection against large unexpected losses that could result from extreme market conditions or events.

For the calculation of economic capital, ABN AMRO has internal models. With these models economic capital is calculated on a 99.95% confidence level and a one-year time horizon. This implies that the estimated capital figure for the coming year is sufficient to cover a level of loss that will be exceeded in only 0.05% of all possible situations.

Economic capital is aggregated for all risk types to determine the required capital and to support capital allocation, ex-post performance measurement (RARORAC) and risk appetite setting such as industry concentration risk limits. Economic capital figures are also used at transactional level in loan pricing tools. These tools act as a decision-making mechanism for assessing the profitability of a new or existing transaction, in terms of risk-adjusted return on capital.

Regulatory capital is limited to the risk types credit risk, operational risk and market risk in the trading book; economic capital is however calculated for the other material risk types as well. These risk types include market risk in the banking book, property risk, strategic equity risk and business risk.

The economic capital model for credit risk uses a Monte Carlo simulation to determine a full portfolio loss distribution taking into account specific portfolio characteristics and diversification effects. Loan facilities are valued on an economic value (mark-to-market) basis, so that loss estimates can occur not only due to defaults of the obligors, but also due to possible credit migrations and associated changes in the market values of loans.

The operational risk model for economic capital is a hybrid approach combining risk control self-assessment and scenario analysis data to model operational risk economic capital. Both sources deliver a forward-looking view on the operational risk profile for the coming year, taking into account the actual state of the business environment and the internal controls in the business lines. The result of this is combined in the model with industry loss data as well as internal data to produce an aggregated annual loss distribution, estimating the yearly aggregated expected loss amount.

Market risk economic capital is calculated for both the trading book and the banking book. Calculation of economic capital for market risk in the trading book is based on a daily Value-at-Risk (VaR) market risk measure and historical scenarios simulating stress events such as Black Monday and the financial markets crisis. For market risk in the banking book, ABN AMRO uses a VaR model to determine the economic capital needed to absorb losses due to adverse interest rate movements. The model also accounts for the potential impact of client behaviour such as prepayment on mortgages and withdrawal of deposits and savings balances.

Economic capital for business risk is defined as the maximum downward deviation of net operating profit from the expected net operating profit.

EC Quality Assessment

The EC models described above form the core of the Internal Capital Adequacy Assessment Process (ICAAP), but may not capture all risk. As part of the ICAAP, ABN AMRO therefore performs an annual EC Quality Assessment (ECQA). For each main risk type the calculated EC figure is evaluated in the following areas:

- risk coverage;
- responsiveness to internal and external developments;
- data quality;
- compliance with EC policy;
- validity of choices and assumptions.

If considered necessary, an additional capital buffer ('EC add-on') is taken to cater for shortcomings in the EC framework.

Stress testing Audited EDTF 8

Stress testing is an important risk management instrument used by ABN AMRO. The main objective of stress testing is to ensure that the bank retains a moderate risk profile, to increase risk awareness throughout the bank and to safeguard business continuity by means of proactive risk management and the review of potential future scenarios. Bank-wide stress testing, as applied by ABN AMRO, takes into account the effect of material plausible but unlikely events and developments on the bank. These events may be systemic (e.g. multi-year macroeconomic stress) or ABN AMRO-specific.

Stress testing purposes

The bank applies bank-wide stress testing based on internally defined scenarios for the following purposes:

- Risk appetite setting and monitoring: the outcome of stress testing is used for setting risk capacity, risk appetite limits and targets. Limits under stress are set to ensure the moderate risk profile. If the stress test outcome breaches the limits, mitigating actions will be undertaken to close the shortfall. The impact is taken into account in the capital plan;
- Contingency planning: stress testing is used to assess and strengthen the contingency plans' triggers and measures. To this end, reverse stress testing is executed to gain insight into events that put the continuity of ABN AMRO under heavy pressure.

The Group Risk Committee discusses and decides on scenario development, impact determination and management actions.

Stress testing as a management instrument

ABN AMRO uses stress testing as a key risk management tool. Stress testing is incorporated into strategic decision processes and tools such as risk appetite setting and capital planning.

Credit risk management

Credit risk is the risk that the value and/or the earnings of the bank decline due to uncertainty in a counterparty's ability or willingness to meet the terms of any financial contract.

Credit risk management within the bank is governed by the bank-wide central credit risk policy and further detailed in underlying specific credit risk policies. The primary responsibility for managing and monitoring credit risk lies with the business as the first line of defence. The business is required to identify, assess and manage, monitor and report potential weaknesses in the credit risk portfolios in line with the credit risk framework. Monitoring takes place on a permanent and ongoing basis to limit credit risk exposures to a level in line with the business line's risk appetite.

In addition, risk in the credit portfolio is measured and monitored at bank-wide level on a monthly basis and by quarterly and ad-hoc portfolio reporting and analysis, with specific attention for risk developments and concentrations.

Information on portfolio developments can be found in the Risk & capital review - Credit risk section

Credit risk management approach

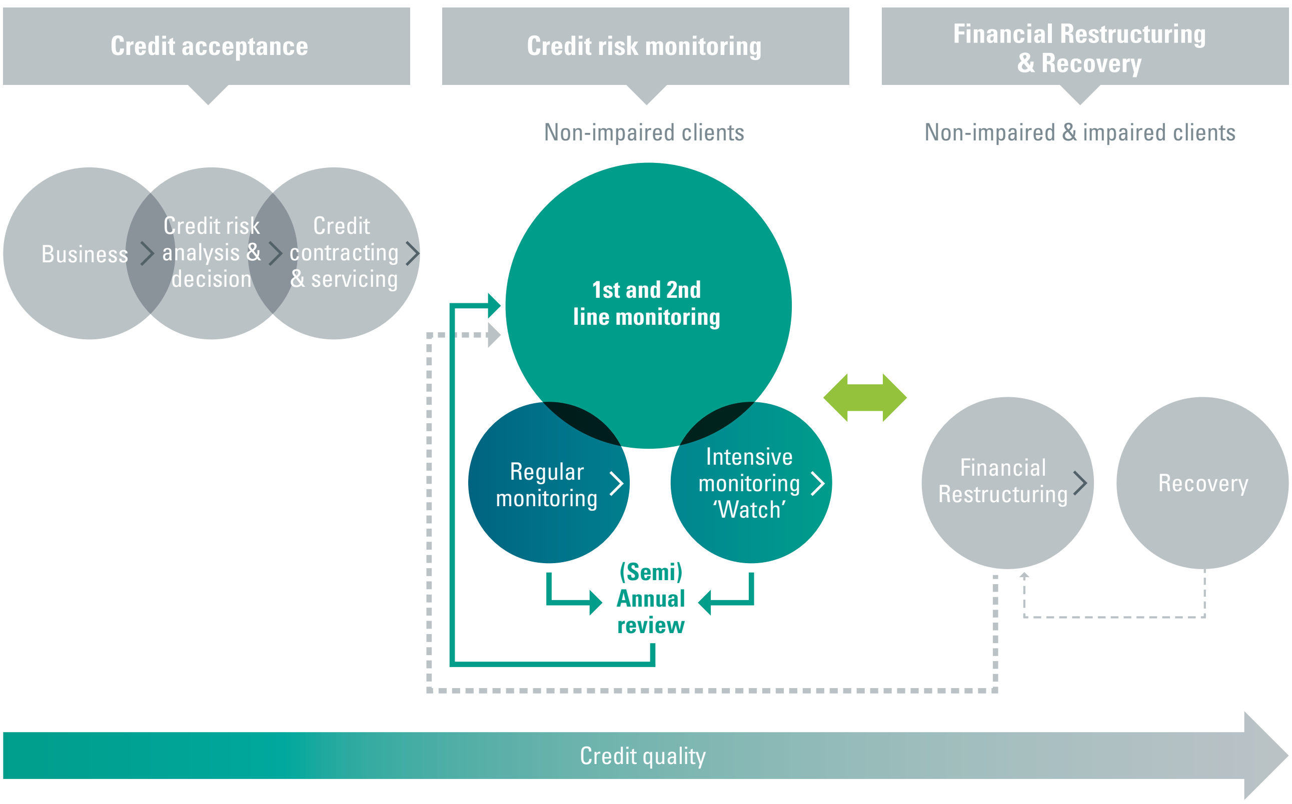
Audited | Pillar 3

ABN AMRO manages its credit risk either through customised lending to counterparties, whereby the risk assessment takes place on an individual basis, or through standardised products and processes, whereby risk criteria are assigned on a pooled basis. For most of its retail lending portfolios, including private individuals and most of the small and medium-sized enterprises, the bank manages the risks and exposures at a product portfolio level. For other portfolios, ABN AMRO applies credit risk management on an individual basis and ratings are assigned to counterparties and exposures.

The credit risk life cycle

The process of credit risk management, the credit risk life cycle, is illustrated in the following figure.

Credit risk life cycle



Credit acceptance

The credit acceptance phase of a credit proposal starts with an assessment of the credit proposal by the business line and Risk Management. All credit risk must be assessed qualitatively and quantitatively in detail before approval. Information must be provided on matters such as the purpose, details and structure of the proposed credit facility, information about the obligor and other counterparties, the industry, management and owners, and a financial and non-financial analysis. The credit decision is based on the independent assessments of both the commercial function and the credit risk function. The authority to approve the acceptance of credit risk is ultimately vested in the Managing Board. The Managing Board has partly delegated this authority to the Central Credit Committee (CCC), to business line-specific credit committees and to authorised persons who are defined in the risk governance charter.

Credit risk monitoring

Consistent and regular monitoring is designed to safeguard the bank's position in relation to all risks associated with the counterparty or portfolio. This allows the bank to identify, at an early stage, any development in the counterparty's or portfolio's position that might trigger an increase in its risk profile. The monitoring process consists mainly of credit reviews, monitoring of outstanding positions, early notice of limit excesses and monitoring of collateral. Monitoring starts the moment the credit facility has been provided and continues throughout the life cycle of the credit facility and the relationship with the counterparty.

A watch status may be assigned to individual counterparties with an identified increased risk due to political, social, economic, legal, industry or counterparty-specific developments. The watch status allows for more intensive monitoring, early detection of deterioration of the credit portfolio and appropriate follow-up measures.

Financial Restructuring & Recovery

Credit facilities with an identified high risk are transferred to the Financial Restructuring & Recovery department (FR&R). In the event of a default situation, transfer to FR&R is mandatory. Additionally, there can also be judgemental triggers that require a transfer to FR&R.

If a 'going concern' approach is applicable, the credit facility will be transferred to Financial Restructuring. Otherwise the credit facility will be transferred to Recovery. For Financial Restructuring clients' credit facilities, FR&R devises a plan for rehabilitation or to increase the likelihood of final repayment.

Credit risk measurement

Internal credit models are used to estimate PD, LGD and EAD parameters. The bank uses different modelling methodologies, ranging from pure statistical models in Retail Banking and a part of Corporate Banking to expert based models in other business segments, taking into account quantitative and qualitative risk drivers.

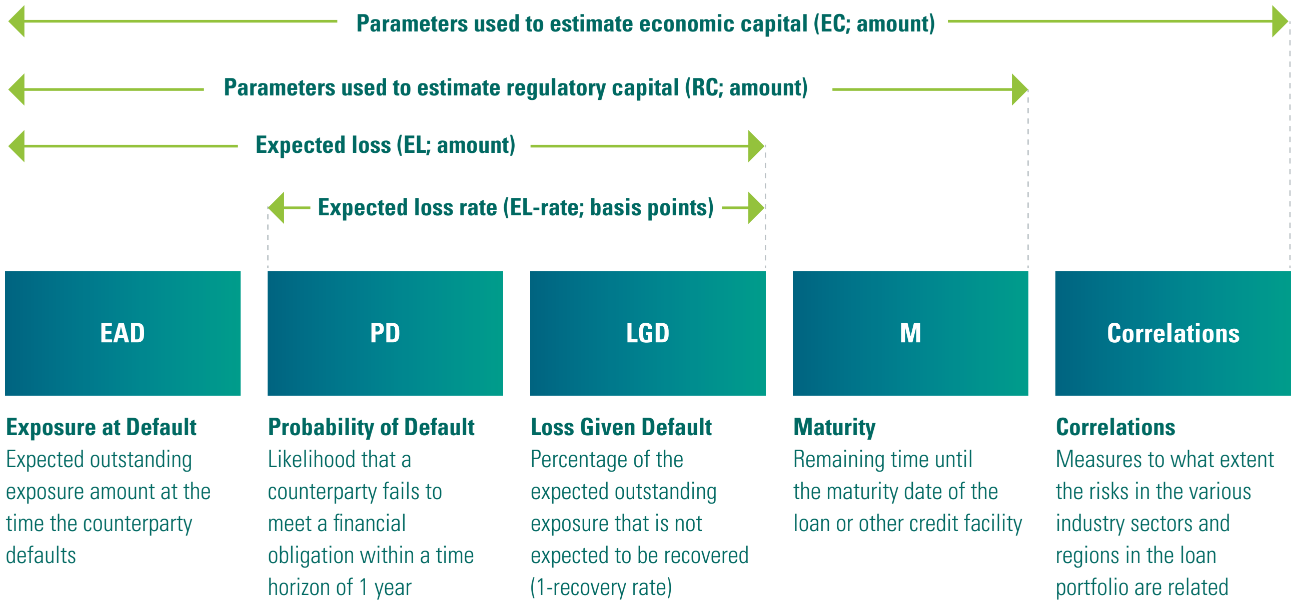
The section on credit risk measurement framework details the different credit risk parameters and their use in the calculation of regulatory capital, economic capital and expected loss.

Decisions which determine the level of credit risk accepted by the bank are not only based on quantitative information or model output, but also take into account the practical and conceptual limitations of metrics and models using a qualitative approach including expert, human judgement and critical analysis. For example, for non-retail clients the business and the credit approval authorities may have reasons to apply qualitative adjustments ('overrides') to a rating as obtained with the rating model. If external credit assessment institutions (ECAI) ratings are available for certain counterparties, these are used to benchmark internal rating model outcomes.

Credit risk measurement framework

The graph below is a simplified representation of the risk management framework for credit risk. Each of the risk parameters used in this framework is explained.

Risk parameters composing expected loss



Using the input variables, the Basel parameters PD, LGD and EAD are computed. The EAD is established on a monthly basis using actual limits and outstanding exposure data. The PD and LGD estimates are based on data needed as input for the appropriate selected model, and calculated at least annually.

Exposure at Default

Exposure at Default (EAD) models estimate the expected exposure at the time of a counterparty default. In the event that all or part of a facility is currently undrawn (the expected outstanding exposure is less than the limit), a percentage of this undrawn amount is added to the exposure to reflect the possibility that the facility is utilised differently in the event of a default situation. The exposure at the time of default might therefore differs from the current exposure.

Probability of Default

The internal definition of default is compliant with the definition of default outlined in the Basel framework. In short, the bank considers a default to have occurred when either of the following two events has taken place:

- the counterparty is overdue more than 90 days, or;
- the bank considers that the obligor is unlikely to meet its contractual obligations.

ABN AMRO makes an assessment of the probability that a counterparty will default, translated into an internal uniform counterparty rating (UCR). The UCRs range from 1 to 8. A probability of default (PD) is attached to each UCR grade, which is the probability that a counterparty will go into default within a one-year time horizon.

Internal rating scale mapped to external ratings

Grade Category	UCR (internal rating)		Low PD%	High PD%	Standard & Poor's equivalent		Moody's equivalent		Fitch equivalent	
	from	to			from	to	from	to	from	to
Investment grade	UCR 1	UCR 3-	0.000%	0.465%	AAA	BBB-	Aaa	Baa3	AAA	BBB-
Sub-investment grade	UCR 4+	UCR 6+	0.465%	100%	BB+	C	Ba1	C	BB+	C
Default without provision	UCR 6	UCR 6			D	D	D	D	D	D
Default with provision	UCR 7	UCR 7			D	D	D	D	D	D
Default (in liquidation)	UCR 8	UCR 8			D	D	D	D	D	D

The grade categories Investment grade and Sub-investment grade correspond to the equivalent classifications of these categories by rating agencies. The grade category Default without provision (UCR 6) pertains to exposures that are in default, but for which the bank has not, or not yet, established a provision, i.e. an impairment allowance. The grade categories Default with provision (UCR 7 and UCR 8) pertain to provisioned (impaired) exposures. Counterparties are assigned a UCR 8 when they are in liquidation.

Within Retail Banking and smaller credits that are part of Commercial Clients, products with the same characteristics are pooled and PDs are assigned to each pool.

Loss Given Default

Loss Given Default (LGD) models estimate the economic loss that may result from a credit facility in case the counterparty defaults. It is expressed as the ratio of the loss on an exposure to the amount outstanding at default. The specific facility characteristics (e.g. seniority) and collateral (secured LGD) assigned to the bank are used in the LGD calculations.

Maturity

The effective Maturity (M) is the remaining time from the estimation or reporting date to the contractual maturity of the financial instrument. Longer maturities result in higher capital figures.

Correlations

In the economic capital model, correlations (dependencies) between different combinations of regions and industry sectors are used to quantify the relationship of risk between, for instance, two industry sectors. The correlations measured are based on internal data as well as externally obtained equity returns. Higher correlations result in higher capital figures.

Specific counterparty credit risk

Pillar 3 | EDTF 2 | EDTF 29

Specific calculation methodologies are applied for counterparty credit exposure on over-the-counter (OTC) derivative instruments and for securities lending.

OTC derivative instruments

OTC derivatives are financial instruments used to cover current and/or future financial risks or to achieve additional return on an investment. They consist of transactions concluded between two parties and of which the value is based on a so-called underlying base value (e.g. interest rate swaps and equity options).

Securities financing transactions

Securities financing in the balance sheet refers to securities lending. Securities lending is the market activity whereby securities are temporarily transferred from a lender to a borrower, with the commitment to re-deliver the securities, usually in the short term. The borrower will collateralise the transaction with cash or other securities of equal or greater value than the lent securities in order to protect the lender against counterpart credit risk. As an intermediary between clients and the market, ABN AMRO acts both as lender and borrower.

In managing the risk of the securities lending activities, the bank makes a distinction based on the type of collateral:

- if the transaction is collateralised with securities, the lender is exposed to the counterparty risk of a potential default of the borrower. The lender is then entitled to close out the position by selling the securities in the market, where the usual risks of liquidity, valuation and volatility apply;
- if a transaction is secured by cash provided by the securities borrower, the lender is exposed to reinvestment risk of the cash deposit as well as the risk of rising asset values associated with the asset(s) lent to the borrower.

The bank monitors counterparty credit exposure from securities lending activities and value of collateral on a daily basis and requires additional collateral to be deposited in case of insufficient coverage.

Regulatory and economic exposure calculation for specific counterparty credit risk

The counterparty credit risk exposure calculation of OTC derivative instruments is based on the mark-to-market (MtM, i.e. current exposure) plus an add-on for potential future exposure. The add-on is calculated to cover 95% of the potential positive MtM movement in favour of the bank over the deal tenor. The add-on is determined by several parameters, such as type of derivative product (underlying), deal tenor, currency (pair) and the absence or presence of netting and collateral agreements. Under the bank's policy, add-on tables are updated periodically. The regulatory calculation methodology applied for calculation of the counterparty credit risk exposure value (EAD) for OTC derivative instruments is the mark-to-market method.

For securities lending, the Financial Collateral Comprehensive Method (FCCM) is used in the regulatory calculations. For internal counterparty exposure calculations, the FCCM is applied with additional conservatism.

Wrong-way risk

This type of risk refers to transactions where credit exposure to the counterparty will be high when the counterparty's probability of default is also high or, put differently, where the credit exposure increases when the credit quality of the counterparty deteriorates. In general, ABN AMRO does not engage in such specific wrong-way risk transactions. Furthermore, ABN AMRO is prudent in considering transactions where this correlation is less obvious, e.g. transactions where a general wrong-way risk component forms part of the deal, and a counterparty and the underlying issuer are in a similar industry, or in the same country or geographical region.

Credit risk concentration Audited Pillar 3

Credit concentration risk is a risk of loss due to insufficient diversification of risks within a portfolio caused by relatively large concentrations of exposures to positively and highly correlated counterparties. Concentrations are monitored against limits set in the bank's risk appetite. Credit risk concentration materialises in relation to a number of positively correlated counterparties, creating the potential effect of a significant loss due to a failure to pay. Positively correlated counterparties in this case are those counterparties that have a tendency to default under similar circumstances. Limiting excessive concentrations is fundamental to the credit risk strategy. The bank aims to keep the credit risk portfolio sufficiently granular and diversified.

To avoid excessive credit risk concentrations, Risk Management aims to diversify the credit risk and sets maximum levels for subgroups in each category:

- Single clients and groups of related clients (one obligor concentration);
- Countries (geographic concentration);
- Industry sectors (industry concentration).

One obligor concentration

Limit-setting is in place based on the one obligor exposure (OOE) principle. One obligor exposure is the total exposure on a group, including all drawn and undrawn facilities granted, plus all indirect exposure to the relationship, including guarantees and/or any other recourse claims. A 'group' is an interrelated group of counterparties (companies and/or persons) with a high degree of dependency. This interrelationship may be due to direct or indirect majority interests by the same shareholder or group of shareholders, and/or due to other relevant economic dependencies. Counterparty credit concentration risk is also monitored on the basis of a Loss at Default (LAD) per counterparty. The LAD is an estimate of how much money is expected to be lost if a counterparty defaults (LGD x EAD). The LAD of a counterparty above a certain threshold is reviewed by the Managing Board.

Geographic concentration

The bank has a number of offices located outside the Netherlands and clients who operate internationally. The bank is therefore exposed to country risk, i.e. the risk of credit losses due to country-specific events or circumstances. Management of country risk focuses on cross-border risk, i.e. the risk of country events impacting upon the creditworthiness of clients and hence their ability to meet their credit commitments to the bank. This also includes the risk that funds, goods or services cannot be transferred out of a risk country as a result of actions by the authorities of that country or by other events impeding the transfer. These risks are managed through the setting of country credit limits, based upon individual country analysis by economic and country risk experts. Country limits are reviewed at least once a year, with more frequent reviews for those higher risk countries where evolving risks are seen. Each country has an internal credit rating approved twice a year. The country rating is an important factor in managing country concentration risks. Approval of country risk policy and country limits is managed through the bank's senior risk committees, with some authority delegated to risk specialists.

Industry concentration
Industry concentration risk is a risk of loss arising from a relatively large aggregated credit exposure to counterparties active in a single industry. Industry concentration risk arises when deterioration in a specific industry has an effect on all credit exposures relating to that industry. ABN AMRO limits its industry concentrations by setting credit risk economic capital (EC) limits as a percentage of total credit risk EC per industry sector. In addition to these EC limits, EC concentration checkpoints are set to accommodate timely and sufficient management interventions to avoid breaching the limit.

Credit risk mitigation Pillar 3 EDTF 30
Credit risk mitigation mainly relates to collateral management and guarantees, offsetting financial assets and liabilities, and enforcing master netting agreements or similar instruments.

Collateral management and guarantees
Collateral are assets with material value over which security interest is vested, such as a mortgage, charge, pledge, lien on an asset, or right securing obligations under a credit facility or other exposure which gives the bank priority rights on the proceeds of that asset. Collateral is a way to mitigate or reduce credit risk associated with a credit facility or exposure. In addition, under certain predefined conditions, collateral can also provide a reduction in both regulatory capital and economic capital. All types of collateral should comply with defined eligibility criteria. Collateral is monitored regularly to ensure eligibility and sufficient value. The collateral value must be monitored on an annual basis at least. More frequent monitoring is required for all types of collateral in case of a considerable decrease in the value of the collateral, significant market changes or significant decrease of creditworthiness of the counterparty. The bank further uses third-party guarantees (i.e. from banks, governments, export credit agencies) to mitigate risks. The credit quality of guarantors is initially assessed and continuously monitored to ensure their value in risk mitigation.

Offsetting financial assets and liabilities
Financial assets and liabilities are offset and the net amount is reported on the balance sheet if there is a legally enforceable right to set off the recognised amounts and there is either an intention to settle on a net basis or an intention to realise the asset and settle the liability simultaneously. The bank applies netting to the following items, provided they meet these criteria:
- debtor and creditor balances, such as current accounts and certain types of residential mortgages with clients' savings, where offsetting is justified by formal agreement with the client;
- derivative contracts for which a market settlement mechanism (i.e. an exchange or clearing house) exists which effectively accomplishes net settlement through daily cash margining processes.

Enforceable master netting agreements or similar instruments
Enforceable master netting arrangements take into account all agreements with provisions that make offsetting exercisable only in the event of default. In addition, agreements are enforceable when the bank has the right to offset and does not have any ability and/or intention to offset simultaneously. These arrangements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements.

Forborne, past due and impaired loans
Audited EDTF 27

Loans at risk are primarily exposures for which signals have been detected indicating that the counterparty may become impaired in the future. Loans at risk are classified into different risk categories for individual counterparties and arrears buckets for groups of aggregated counterparties in order to optimise monitoring and review of these loans.

Forbearance Audited
It is often more beneficial, for the bank, as well as for the client, to restructure the loans rather than to recover the loans and take possession of the available collateral. The contracts of such clients may be modified at non-commercial terms to avoid foreclosure. The process of making concessions for clients, with the purpose of keeping them afloat, is referred to as 'forbearance'.

ABN AMRO considers a forborne asset to be a contract under which the counterparty experiences (or is about to face) financial difficulty and for which the terms and conditions of the contract have been modified or the contract has been refinanced by ABN AMRO due to these financial difficulties on such terms that the bank would not have agreed to (concession) if the counterparty had been financially healthy.

A counterparty is in financial difficulty if at least one of the following situations applies (this list is not exhaustive):
- a contract has been in default at least once during the last three months;
- a contract has had an amount in arrears for 30 days or more at least once during the last three months, unless the credit approval authority does not consider the counterparty to be in financial difficulty;
- a contract is assigned a watch status that requires immediate action because of recent developments that have an immediate impact on the financial position and/or financial stability of the client;
- a contract is considered to be in financial difficulty by the credit approval authority.

The rationale behind forbearance is that ABN AMRO shows leniency towards the counterparty by agreeing on modified terms that would not have been agreed if the client would not have been in financial difficulty. The objective is to give the counterparty the time and financial flexibility to solve its financial problems in the expectation that the counterparty will be able in due course to fulfil its financial obligations, and by doing so to maintain a sustainable relationship between the bank and the counterparty.

Forbearance measures can be applied to a contract that has defaulted on its obligations as well as to a contract that is still performing. A contract that is in the process of being recovered and for which the customer relationship will be discontinued is not considered forborne, irrespective of the application of restructuring measures or a previous forborne status.

A forborne asset will only cease to qualify as forborne once all of the following conditions are met:
- the contract is considered performing;
- a minimum probation period of two years has passed from the date the forborne contract was considered performing;
- regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period;
- the counterparty does not have any contract that is more than 30 days past due at the end of the probation period.

If a forbearance measure is applied to a performing client, the client stays forborn for at least two years. If a forbearance measure is applied to a non-performing client, the client stays forborne for at least three years. During this period, the asset will continue to be reported as forborne. ABN AMRO has implemented forbearance and related definitions and policies in alignment with the EBA Final Draft Implementing Technical Standards, as communicated in July 2014.

Past due credit exposures Audited Pillar 3

A financial asset is past due if a counterparty has failed to make a payment when contractually due or if it has exceeded an agreed limit. ABN AMRO starts counting days past due from the first day that a counterparty is past due on any financial obligation, regardless of the amount.

Impaired credit exposures Audited Pillar 3

A loan is impaired if there is objective evidence that the bank will not be able to collect all amounts due in accordance with the contractual terms (principal and interest). The objective evidence indicates that the borrower's credit quality has deteriorated and the estimated future cash flows of the financial assets are negatively impacted. An indication that a loan may be impaired is obtained through ABN AMRO's credit review processes.

Triggers for impairment include, but are not limited to, elements such as negative equity, regular payment problems, improper use of credit lines and legal action by other creditors. They could – but do not necessarily – result in the counterparty being classified as impaired.

Accounting policy on impairment of loans and receivables Audited

An indication that a loan may be impaired is obtained through ABN AMRO's credit review processes, which include monitoring customer payments and regular loan reviews depending on the rating of the facility. A loan is impaired if there is objective evidence that the bank will not be able to collect all amounts due in accordance with the contractual terms (principal and interest). The objective evidence indicates that the borrower's credit quality has deteriorated and the estimated future cash flows in the related financial assets are impacted. The amount of impairment loss is the difference between the carrying amount and the present value of estimated future cash flows.

Estimating the timing and amount of future cash flows requires significant judgment. The actual timing and amount of future cash flows may differ from these estimates and consequently actual losses incurred may differ from those recognised in the Consolidated Annual Financial Statements. The impact of changes in estimates and recoveries is recognised in Impairment charges on loans and other receivables in the income statement. Following impairment, interest income is recognised using the original interest rate and used in the estimated cash flow pattern of the impaired loan. There are two levels at which the loans are assessed for impairment: individual and collective. The collective assessments consists of both loan losses that are not assessed on an individual basis, and for loan losses that have been incurred but have not been identified at the reporting date.

Where possible, ABN AMRO seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and agreeing on revised loan conditions. Management continuously reviews renegotiated loans to ensure that all revised loan conditions are met and that future payments are likely to be made. The loans continue to be subject to an individual or collective impairment assessment.

ABN AMRO makes a distinction between three types of impairment losses:

- **Specific impairment losses for individual significant exposures:** If significant doubts arise over the customer's ability to meet its contractual obligations, management of the relationship is transferred to the Financial Restructuring & Recovery department (FR&R). FR&R reviews each credit facility at least once a year. Reviews of the credit facilities are performed on a continuous basis. Based on these reviews, ABN AMRO recognises specific impairment losses. The amount of the specific impairment loss is based on the discounted value of the best estimate of future cash repayments and the value of collateral. Recognised specific impairment losses are partly or fully released when the debt is repaid or expected future cash flows of the customer improve due to positive changes in economic or financial circumstances;
- **Collective impairment losses for individual not significant exposures:** Assets with similar credit risk characteristics are clustered in portfolios. These portfolios include personal loans, residential mortgages, credit cards, home improvement loans and small and medium-sized enterprises facilities. The assets in the portfolios are collectively assessed for impairment. In general, when payments (interest or principal) are 90 days past due, the loan is identified as impaired. The impairment assessment is based on historical loss experience adjusted for current economic conditions. Factors that are taken into account are average life, past loss experience and portfolio trends;
- **Incurred but not identified (IBNI):** IBNI impairment losses are recognised for credit exposures in the performing portfolio. The impairment losses have incurred but still have to be identified at the balance sheet date. Specific or collective impairment assessment has therefore not yet taken place. All financial assets that are not yet assessed for impairment are included in the IBNI impairment loss calculation. All related off-balance items such as credit commitments are also included. The IBNI calculation combines the Basel II concept of expected loss on a one-year time horizon adjusted for IFRS elements such as applying a loss identification period (LIP) and a cycle adjustment factor (CAF).

When a loan is deemed no longer collectible, it is written off against the related loan loss allowance. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the income statement line item Impairment charges on loans and other receivables. Assets acquired in exchange for loans to achieve an orderly realisation are reflected in the balance sheet as a disposal of the loan and an acquisition of a new asset, initially recorded at fair value.

Operational risk management Pillar 3 EDTF 31

Like every company, ABN AMRO is exposed to operational risk arising from the uncertainty inherent in all business undertakings and decisions. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Examples of operational risk are wrongful execution of an order, fraud, litigation for non-compliance with law, natural disasters and terrorism.

ABN AMRO has a framework in place to consistently manage and prevent operational risks.

Information on developments can be found in the Risk & capital review - Operational risk section

Framework for operational risk management and control Pillar 3

Management Control Statement

Strategic risk assessment

Operational risk management overview
- Operational risk appetite
- Reporting
- Operational risk capital

Operational risk assessments
- Business-as-usual (including scenarios)
- Changes

Monitoring
- Operational risk events
- Effectiveness of controls

Operational risk responses
- Mitigation
- Avoidance
- Transfer
- Risk acceptance

Operational risk management approach

Pillar 3

All day-to-day operations comprise operational risks. ABN AMRO employees are therefore expected and encouraged to be alert to and aware of the wide range of operational risks. In 2014, the bank further strengthened operational risk awareness through training and e-learning sessions. The operational risk appetite is part of the bank-wide risk appetite and is monitored by the Managing Board.

Business managers assess operational risk exposure and effectiveness of controls periodically, with the support of the second line. If a risk exceeds the risk appetite, the business manager takes appropriate action to mitigate the risk. Nevertheless, as is the case with all banks, not all operational losses can be avoided. In the event of an incident, the bank strives to minimise damage to an acceptable level. Once a year, senior management teams review their strategies and business objectives from a risk perspective. They take into account the periodic review of the state of control and take appropriate measures where the level of control can be improved. Based on the assessments performed, at the end of each year the senior management teams sign a Management Control Statement. ABN AMRO's Management Control Statement is included at the end of this section.

Operational risk management instruments

Pillar 3 EDTF 2

At the heart of the operational risk management and control framework, ABN AMRO applies various operational risk assessments to identify and assess risks in the bank's control environment, including scenarios for rare events. Assessments are executed for business-as-usual activities and for new initiatives. The bank systematically monitors and analyses operational risk events that happen. Periodically, effectiveness of controls is monitored and tested.

Operational risk response Pillar 3

The bank identifies four categories of risk response:

- **Risk mitigation**: in many cases, controls will be strengthened by taking additional measures to mitigate the risk;
- **Risk avoidance**: if mitigating measures are not effective, then the risk can be avoided by closing down operations or not starting operations;
- **Risk transfer**: if the risk cannot be mitigated or be avoided, the bank may decide to transfer risks to the insurance market. Group-wide insurance programmes are in place for specific operational risks. The Group Risk Committee reviews the global insurance programmes annually. In line with industry practices, ABN AMRO takes out the following group-wide insurance policies from third-party insurers: fraud and civil liability, directors' and officers' liability, property damage and general liability. In addition, several local insurance policies are taken out for the remaining local or specific risks;
- **Risk acceptance**: there may be situations in which management decides to consciously accept a risk.

Specific operational risk areas Pillar 3

The bank has a dedicated organisation in place for operational risk areas that require specific knowledge, such as information security and business continuity management.

Information security

Information is one of the bank's most valuable assets. ABN AMRO's clients are dependent on the proper functioning of the bank's information systems. These systems run in complex information infrastructures, connecting the bank's networks with public networks. As a result, banking processes and their supporting information systems can become vulnerable, threatening the security of client data and services. Examples of such threats are computer-assisted fraud, unauthorised disclosure of confidential information, virus infection, computer hacking and denial of service.

In recognition of the importance of protecting the bank's information and its associated assets, such as systems and infrastructure, at all times, ABN AMRO has established a structured information security approach to ensure the confidentiality, integrity and availability of information. This approach defines the organisational framework, management and staff responsibilities and information security directives that apply to ABN AMRO, its vendors and third parties with whom the bank exchanges information.

Business continuity management

Business continuity management ensures organisational resilience at all levels of the ABN AMRO organisation and the ability to respond effectively to threats, thus safeguarding stakeholders' interests and the organisation's reputation, brand and value-creating activities. Business continuity focuses on:

- Analysis of threats and business impact of calamities and crises;
- Determining strategies and solutions to be taken in case of a crisis to enable continuity of business operations, such as business recovery, crisis management, IT disaster recovery planning;
- Documentation, periodic assessment, and testing of these strategies and solutions.

Operational risk measurement Pillar 3 EDTF 2

ABN AMRO currently applies the standardised approach to calculating regulatory capital for operational risk. Over the past three years, the bank has implemented the Advanced Measurement Approach (AMA). As part of the implementation, the operational risk management framework was reviewed and strengthened. An important focus was on further integrating the approach into all types of operational risk (convergence) and strengthening awareness of operational risks among business managers (in line with the three lines of defence principle). The application of AMA to calculate regulatory capital is subject to supervisory approval. The application for AMA status will be submitted to the regulator in 2015. The AMA model is already used to calculate economic capital for operational risks and to calculate regulatory capital in a parallel run.

Market risk management

ABN AMRO is exposed to market risk in its trading book and banking book.

Information on developments can be found in the Risk & capital review - Market risk section

Market risk in the trading book

Market risk in the trading book is the risk of loss resulting from unfavourable market price movements which can arise from trading or holding positions in financial instruments in the trading book.

Market risk management trading book

Audited | Pillar 3

As part of its business strategy, ABN AMRO facilitates client orders, acts as a market maker in key markets and provides liquidity to clients. Execution of the business strategy involves management of trading risk. To provide assurance that the bank's trading activities are consistent with its client-focused business strategy and our moderate risk profile, a detailed risk management framework has been developed in order to control market risk in the trading book.

The limits framework

Market risk limits are strategic restrictions reflecting the bank's risk appetite and the nature of trading activities. Limits prevent the accumulation of market risk beyond the bank's appetite and reflect the mandates of trading units. Decisions with regard to limits are all taken by the relevant Risk authority.

For internal purposes, ABN AMRO measures and manages market risk daily, on a portfolio basis. The key indicators used are Value-at-Risk (VaR), a wide array of stress and scenario tests, sensitivity measures and notional limits. These metrics are measured and limited at global level and at business level. In addition, there are concentration limits at business level.

Valuation of trading risk positions

Positions held in the trading book are prudently valued daily on a mark-to-market or a mark-to-model basis, where the price is not directly observable in the market. All valuation models are independently validated and approved by Risk Management.

Periodic valuation adjustments are made whenever appropriate, e.g. because of parameter uncertainty and/or other model-related aspects. Credit valuation adjustments are also applied. In addition, the bank determines, on a monthly basis, whether additional value adjustments are required to arrive at the prudent value of those positions.

Market risk measurement

Audited | Pillar 3 | EDTF 2 | EDTF 17 | EDTF 24 | EDTF 25

VaR calculations involve taking the market price movements of the last 300 days and calculating the impact on profit and loss as a result of these movements. ABN AMRO applies a one-day 99% VaR, meaning that a VaR of EUR 1 million implies a 1% chance of a loss of more than EUR 1 million on any given business day.

In addition to daily VaR, ABN AMRO computes stressed VaR and incremental risk charge (IRC) numbers. Regulatory guidelines require a bank to calculate a stressed VaR measure calibrated to a continuous 12-month period of financial stress relevant to an institution's trading portfolio. The current relevant 12-month period in this context is the period from March 2008 to March 2009.

Back testing

VaR forecasts are compared with the calculated mark-to-market changes using daily market data variations. The number of outliers is benchmarked to determine the reliability of the VaR model. Back-testing measures the number of losses exceeding the VaR prediction given a confidence level of 99%. Such losses should occur only once every 100 business days. In 2014, the number of outliers was within the statistical model acceptance.

Stress and scenario testing EDTF 8

Stress and scenario testing is designed to focus specifically on tail events, e.g. events outside the VaR confidence interval. ABN AMRO runs daily stress tests for large moves in single risk factors. For specific portfolios, the latter will also be combined with shifts in the related volatility factors.

In addition, the impacts of extreme market events covering multiple risk factors are conducted. These extreme scenarios can either be historical, hypothetical or a combination of both.

Model review
New models are validated by an independent validation team and approved by duly authorised committees. Furthermore, existing risk models are reviewed and re-approved annually. As part of the review, models are assessed as to whether they behave appropriately under the current market conditions. If required, models are adjusted. Besides the formal validation and review of models, the daily explanation of risk reporting figures, periodic portfolio reviews and regular back testing are important tools to assure the adequacy of the models.

Market risk in the banking book Audited
Market risk in the banking book refers to the market value and earnings sensitivity of the banking book positions to market volatility. The market risk of the banking book is predominantly driven by the interest rate risk since the residual market risks in the banking book (e.g. FX risk) are limited mainly through hedging. The interest rate risk refers to the potential adverse impact of market rates movements on the bank's market value and earnings. Market value metrics and earnings metrics are measured for all currencies for banking book positions and reported on a consolidated level, translated into the reporting currency.

Market risk management banking book Pillar 3
In the banking book, interest rate risk translates into the potentially adverse impact of interest rate changes on net interest income and market value of equity. The overall objective of interest rate risk management is to protect the current and future earnings and stabilise the interest income over time.

The four main sources of interest rate risk are:
- re-pricing risk, which arises from timing differences in the maturity (fixed-rate) and re-pricing (floating-rate) of assets and liabilities;
- yield curve risk, which arises when unanticipated shifts of the yield curve have adverse effects on the income and underlying economic value;
- basis risk, which arises from imperfect correlation in the adjustment of rates earned and paid on different instruments with otherwise similar re-pricing characteristics (for example, swap rates and government bond yields);
- optionality risk, which arises from the options embedded (implicit or explicit) in assets and liabilities.

In addition, client behaviour is an important driver of the interest rate risk. Client behaviour with respect to savings and prepayment of mortgages may substantially alter the anticipated interest cash flow pattern. Interest rate risk is managed according to the Asset & Liability Management (ALM) framework as approved by the ALCO. This framework is designed primarily to transfer interest rate risk out of commercial business lines, enabling central monitoring and management. This mechanism allows for a clear demarcation between commercial business results and results on mismatch interest rate positions.
The execution of interest rate risk steering decisions and day-to-day management of positions is delegated to ALM/Treasury.

Market risk measurement
Pillar 3 EDTF 2 EDTF 8 EDTF 17 EDTF 24 EDTF 25

ABN AMRO measures, monitors and controls its interest rate risk, including the effectiveness of hedging, on a monthly basis using the following indicators: Net Interest Income-at-Risk (NII-at-Risk), duration of equity, absolute sensitivity and VaR. ABN AMRO's position is managed to ensure these metrics remain within defined limits under certain stress scenarios.

NII-at-Risk
Net interest income (NII) is the difference between revenues generated by interest-earning assets and the expenses of servicing (interest-burdened) liabilities. The NII consists of the commercial margin and the interest rate risk mismatch. The bank's interest result mainly depends on the commercial margin, which has a low correlation with the level of interest rates. For the part of the bank's interest result related to the mismatch position, the steepness of the curve is more important than the level of the curve.

The risk of changes in net interest income is measured on a scenario-based analysis. The NII-at-Risk metric indicates the change in net interest income during the coming 12 months, comparing the NII under a constant yield curve with the NII under a yield curve gradually shifted by 200 basis points. The NII is negatively impacted when rates rise, especially when the short end of the yield curve increases, since liabilities are re-priced more frequently and, therefore, interest expenses are upwardly adjusted more than interest income. The short-end positions are part of the money markets book and are monitored and managed on a daily basis.

Duration of equity

Duration of equity indicates the sensitivity of the market value of equity to a 1% parallel change in the yield curve. The risk appetite statement defines the outer limits of the duration of equity to be between zero and seven years, and ALCO determines a monthly bandwidth. The duration of equity is steered within the defined limits to reflect the pursued risk profile and optimise the mismatch position considering anticipated yield curve developments.

Absolute sensitivity

The absolute sensitivity reflects the sum of absolute values of the yield curve sensitivities along the tenors. Absolute sensitivity measures the market value and earnings sensitivity to non-parallel movements of the yield curve. VaR is used as a statistical measure for assessing interest risk exposure. It estimates potential losses and is defined as the predicted maximum loss that might be caused by changes in risk factors under normal circumstances, over a specified period of time and at a specified level of statistical confidence. A VaR for changes in the interest rate for the banking book is calculated at a 99% confidence level and a two-month holding period.

Market risk (Foreign exchange risk)

Audited EDTF 31

Foreign exchange (FX) risk reflects the potential adverse impact of unfavourable exchange rate developments on net income and capital ratios. ABN AMRO does not take FX risk in the banking book, except for positions resulting from capital hedging and residual positions occurring for operational reasons. FX risks on client-related positions in the banking book are transferred from business lines to ALM/Treasury via the funds transfer pricing framework. FX risk in relation to open currency positions is kept within limits through hedging. FX capital hedging is executed to protect capital adequacy from adverse FX movements.

Market risk (Pension fund) Audited EDTF 31

In 2014, the bank reached agreement with the trade unions and the ABN AMRO Pension Fund on a collective defined contribution (CDC) scheme for employees in the Netherlands. This agreement resulted in the release from all financial obligations arising out of the Dutch pension plan. Consequently, the Dutch pension plan has been removed from the balance sheet of ABN AMRO.

Under the new plan, annual pension contributions are calculated according to a fixed contribution calculation mechanism. This mechanism contains certain elements, for example interest rate levels.

As from the above agreement taking effect, pension liability risk is no longer considered to be a material market risk type.

More information can be found in note 28 to the Annual Financial Statements.

Business risk management EDTF 31

Business risk is the risk that business earnings and franchise value decline and/or deviate from expectations because of uncertainty in business income or in the expenses incurred to generate business income. The key criteria for classifying a risk as a business risk are:

- event outcome leads to uncertainty in present or future business earnings and/or franchise value;
- drivers are uncertainty in volumes, margins, fee and commission rates and/or business expenses.

Sensitivity to business risk drivers is mitigated by management practices that effectively and timely address developments in business risk drivers. A basic view of business risk mitigation is to address the risk that earnings will fall below the fixed cost base, due to changes in margins and volumes. The higher the variable part of the total costs, the better the ability to continue making a profit in the event of falling revenues. In addition to these management practices, business risk is mitigated by a capital buffer.

Liquidity risk management

Liquidity risk is the risk that actual (and potential) payments or collateral posting obligations cannot be met on a timely basis, or only at excessive costs. There are two types of liquidity risk:

- Funding liquidity risk is the risk of not being able to meet both expected and unexpected current and future cash outflows and collateral needs without affecting the bank's daily operations or its financial condition;
- Market liquidity risk is the risk that the bank cannot sell an asset in a timely manner without significantly affecting the market price due to insufficient market depth (insufficient supply and demand) or market disruption. As such, it is related to market risk. Market liquidity risk also includes the sensitivity in liquidity value of a portfolio due to changes in the applicable haircuts and market value. It also concerns uncertainty about the time required to realise the liquidity value of the assets.

Information on developments can be found in the Risk & capital review - Liquidity risk section

Strategy EDTF 4 EDTF 18 EDTF 21

To support us in maintaining a moderate risk profile, we have a liquidity risk management framework in place to ensure that even under severely adverse conditions the bank can meet its payment obligations at a reasonable cost. We have formulated a set of liquidity risk metrics and limits to manage the bank's liquidity position and ensure compliance with regulatory requirements at all times. By maintaining a long-term term maturity profile, limiting the dependence of wholesale funding and holding a solid liquidity buffer, we maintain our prudent liquidity profile.

Liquidity risk management approach

Audited Pillar 3 EDTF 2 EDTF 18

As we view the maturity transformation function as an integral part of our business model, we closely monitor our liquidity position and various resulting risks. To limit the risk of potential outflow of funds, we diversify our funding sources and funding tenors. Furthermore, we hold a portfolio of highly liquid assets that can be converted into cash or provide secured funding in the event of unforeseen interruption of cash flows.

Liquidity risk is managed centrally by Group Functions (ALM/Treasury). By means of funds transfer pricing, among other measures, we incorporate the liquidity cost into our day-to-day business activities. In managing liquidity risk, a clear distinction is made between going concern and liquidity contingency risk management.

Going concern liquidity management

Going concern liquidity management at ABN AMRO entails 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 we use are:

- **Stress testing**: We conduct stress testing on a regular basis in which we evaluate the impact of cash in- and outflows under low probability yet plausible stress scenarios. Both market-wide and bank-specific scenarios are analysed. The goal of stress testing is twofold. First, it supports us in reviewing our liquidity risk framework, i.e. the liquidity buffer size, risk appetite and limits. Second, it allows us to identify areas in which we can reduce the potential net outflow in times of crisis.
- **Regulatory liquidity requirement**: The regulatory liquidity requirement measures the liquidity position in a one-month scenario of severe stress, defined by DNB. DNB requires the one-month liquidity position to always exceed the minimum required regulatory level.
- **Survival period**: The survival period indicates the period that ABN AMRO's liquidity position will remain positive in a situation where the wholesale funding markets close and there is an outflow of deposits from retail and commercial clients.
- **Loan-to-Deposit ratio**: The Loan-to-Deposit ratio (LtD ratio) measures the relationship between the loan book (Loans and receivables - customers) and deposits from clients (Due to customers). The ratio includes all client-driven loans and deposits, but excludes loans to and deposits from governments. As such, the LtD ratio gives an indication of our dependence on wholesale funding for financing of our non-institutional client loans. Due to the Dutch pension system, mortgage loans outweigh client savings balances in the Netherlands, driving up the LtD ratio.

Contingency liquidity risk management

Pillar 3

Contingency liquidity risk management aims to ensure that in the event of either a bank-specific or general market event, the bank is able to generate sufficient liquidity to withstand a short- and/or long-term liquidity crisis.

- **Contingency Funding Plan**: The Contingency Funding Plan (CFP) only comes into effect in the event the bank's liquidity position is threatened by internal or external circumstances which could lead to an imminent liquidity crisis. The CFP is aligned with our Recovery Plan, as required by DNB. It is designed to enable us to continue managing our liquidity sources without unnecessarily jeopardising the businesses, while limiting excessive funding costs in severe market circumstances. The CFP defines several stages based on the seriousness of liquidity threats and defines mitigating actions. The CFP stage is determined based on the internal liquidity risk profile in relation to our risk appetite and external market developments;
- **Collateral posting in the event of a rating downgrade**: In the event that ABN AMRO's credit rating is downgraded, certain additional amounts of collateral may need to be provided. To a limited extent, collateral needs to be provided for exposures in the trading book. More material amounts of collateral need to be provided in relation to secured funding and securitisation transactions. ABN AMRO monitors these potential additional collateral postings in its liquidity management framework;
- **Liquidity buffer**: ABN AMRO holds a liquidity buffer with sufficient collateral as a safety cushion in the event of severe liquidity stress. The liquidity buffer portfolio consists mainly of government bonds, retained RMBS and cash, all unencumbered.

Basel III/CRD IV

The Basel III framework includes two liquidity ratios: the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The objective of the LCR is to promote the short-term resilience of banks by ensuring sufficient high-quality liquid assets to survive a significant stress scenario lasting 30 calendar days. The objective of the NSFR is to promote resilience over a longer time horizon by creating additional incentives for banks to fund their activities with stable sources of funding on an ongoing basis. Regulatory minimum requirements for both the LCR and NSFR will be 100% under Basel III/CRD IV respectively per 2019 and 2018.

Funding management

Strategy

Deposits from Retail Banking, Private Banking and Corporate Banking clients form the main source of funding of ABN AMRO. Due to the characteristics of the Dutch retail market, where a substantial portion of consumer savings is placed in pension funds rather than in bank deposits, ABN AMRO's Loan-to-Deposit ratio is above 100%. The remainder of our funding is therefore raised mainly through long-term wholesale funding.

ABN AMRO's funding strategy for wholesale liabilities is based on the moderate risk profile of the bank. It aims to optimise and diversify the bank's funding sources in order to maintain the targeted long-term funding position, liquidity profile and compliance with regulatory requirements. We aim to strike a balance between the need to have sufficient funding and the costs involved, thereby ensuring that the balance sheet has a diverse, stable and cost-efficient funding base.

The funding strategy is executed taking into account the following guidelines:

- Maintain market access by diversification of funding sources;
- Decrease funding costs within the targets set for volumes and maturities;
- Be an active issuer in funding markets in Europe, the US and the Asia Pacific region;
- Maintain strong relationships with the investor base through active marketing and issuance;
- Strike an optimum balance between private placements and (public) benchmark deals;
- Build, maintain and manage credit curves in different funding programmes, currencies and investor bases;
- Continuously monitor attractive investment opportunities for investors.

Information on funding developments can be found in the Risk & capital review - Funding section

Capital management

Capital management strategy

Pillar 3 | EDTF 4 | EDTF 12

The primary objective of the capital management strategy is to ensure that capital adequacy requirements are met at all times and sufficient capital is available to support the bank's strategy. Capital is a necessary resource for doing business and defines the bank's commercial possibilities. The balance between available and required capital is managed centrally, optimising the use of available capital.

The basis of the capital management strategy is the bank's risk appetite and its business plans. Other important factors taken into account while managing the capital position are expectations and requirements of external stakeholders (such as regulators, investors, shareholders, equity analysts, rating agencies and clients), the bank's position in the market, market developments, contingent capital needs and the feasibility of capital management actions.

Although ABN AMRO manages its capital centrally, the group companies are sufficiently capitalised to comply with all local regulatory solvency requirements and to meet any local business needs.

ABN AMRO's banking activities are primarily carried out by legal entities that are located in the Netherlands. All substantial banking activities in the Netherlands are performed by legal entities that have been guaranteed by ABN AMRO Group N.V. with the so-called 403 declaration. They, including ABN AMRO Bank, are also part of ABN AMRO Group's tax unit for corporate tax. This means that, apart from the prevailing legal and regulatory legislation, there are no specific material impediments to prompt the transfer of the bank's regulatory capital.

This governance ensures that subsidiaries that are required to report on a solo or sub-consolidated level are sufficiently capitalised on a continuous basis.

Capital measurement and allocation

Capital adequacy is measured and monitored on an ongoing basis against target capital ratios, derived from the bank's overall risk appetite and strategy. Capital projections and stress-test scenarios, both market-wide and bank-specific, are used to ensure that actual and future capital levels remain above the targets.

Capital is allocated to businesses in a way that optimises the long-term value of the bank while serving the bank's strategic objectives. In the capital allocation process both risk-based and non-risk-based return parameters are considered, taking into account economic and regulatory capital requirements. This process ensures that the bank's return targets are met while maintaining a moderate risk profile, in line with the bank's risk appetite.

Contingency capital management

Contingency plans are in place to address capital issues, if any. The Contingency Capital Plan provides a framework to detect capital adequacy stress by setting out various early warning indicators. The Contingency Capital Plan also sets out a range of available actions that could be undertaken based on the level of severity and urgency of the issues.

Information on developments can be found in the Risk & capital review - Capital section

Management Control Statement

Under best practice provisions II.1.4 and II.1.5 of the Dutch Corporate Governance Code, the ABN AMRO Managing Board is requested:

- to describe the main risks related to the strategy of ABN AMRO;
- to describe internal risk management and internal control for the main risks during the year;
- to describe any major shortcomings (if any);
- to substantiate the operation of internal risk management and internal control (related to financial reporting risks) during the year under review, and;
- to state its adequacy and effectiveness.

ABN AMRO's internal risk management and internal control is a process, effectuated by the Managing Board, management, and other personnel. It is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations;
- reliability of (financial) information;
- compliance with laws, regulations and internal policies with respect to the conduct of business;
- safeguarding of assets, identification and management of liabilities, and;
- strategic goals of ABN AMRO.

Different parts of the Risk & Capital Report elaborate on ABN AMRO's identified risks, such as credit risk, market risk, operational risk, liquidity risk and business risk.

Based on the process regarding internal control over financial reporting, the Managing Board of ABN AMRO Bank N.V. makes the following statement regarding the group's financial reporting risks:

- ABN AMRO's internal controls provide reasonable assurance that ABN AMRO's consolidated financial statements do not contain any material inaccuracies;
- ABN AMRO's internal controls functioned properly in 2014;
- There are no indications to suggest that ABN AMRO's internal controls will not continue to function properly in 2015.

The internal risk management and control systems provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of ABN AMRO's published financial statements.

We have gained further insight in internal control effectiveness in the entire organisation as a result of the implementation of the operational risk management framework in 2014.

Based on risk assessments and monitoring and control activities, the Managing Board of ABN AMRO Bank N.V. makes the following statement with regard to risks that may jeopardise ABN AMRO's business objectives for the short term:

- Within ABN AMRO risk management and internal controls are in place to provide reasonable assurance that ABN AMRO will not be hindered in achieving its business objectives or in the orderly and legitimate conduct of its business by circumstances which may reasonably be foreseen;
- Based on risk management and internal controls in place and barring unforeseen adverse external conditions, the Managing Board is of the opinion that there are no material elements within ABN AMRO that could significantly endanger the realisation of its business objectives;
- Regarding internal risk management and internal control, the Managing Board identified the following dependencies:
  - Economic developments seem to further improve in 2015. Core inflation is low and, though fragile, economic developments worldwide and in the Netherlands are more positive than in previous years. Despite the actual positive performance of the bank, there is uncertainty on profitability due to the dependency on the economic developments and more specifically the potential effects of the ECB Quantitative Easing (QE), the Greek situation, geo-political developments and the potential risk of deflation. An external negative influence on the profitability of the bank are non-traditional competitors entering markets for financial services for specific (niche) areas. Such developments may affect margins on savings, payment services, lending and mortgages;

  - Regulations in the financial sector are subject to discussions and rapid change. Due to the amount and complexity of new and changed regulations, more compliance breaches are a threat; e.g. requirements regarding regulatory reporting in combination with the complex IT environment and more demanding supervisors increase the risk of non-compliancy. Legal interpretation issues may lead to disputes with clients (for example related to duty of care requirements). Due to these developments, there is a risk of sanctions, litigations or reputational damage (with opportunity losses).
- The following improvement areas have been identified and agreed upon and are actively managed by senior management:
  - Key mitigant for the risk of non-compliance mentioned above is having accurate evidence to prove compliance to supervisors or in client disputes. Although in the last year data quality and documentation has improved, the effort and speed required to produce and disclose that data and documentation remains an attention point. In order to mitigate these risks further, amongst other things a Regulatory Office has been installed (to identify/communicate the business impact of upcoming regulatory changes) and a 'Data Quality Board' has been established (to prioritise and monitor strategic and bank-wide DQ issues);
  - Improvements in the IT architecture (including decrease of complexity) are required to meet on business needs for service offering to our clients in the future. For this purpose, an extensive IT program is running;
  - Further improvements are required regarding Asset and Liability Management (ALM). In 2015 projects are running to enhance ALM.

The evaluation of the adequacy of internal risk management and internal control has been discussed with the Audit Committee, the Risk & Capital Committee and subsequently submitted to the Supervisory Board. Due to its inherent limitations, ABN AMRO's internal risk management and control systems do not provide complete assurance on the realisation of business objectives, and cannot at all times prevent inaccuracies, fraud and non-compliance with rules and regulations.

Risk & capital review

The following section provides a comprehensive overview of the different risks accross business segments and portfolios. Information on capital developments is also provided. More information about ABN AMRO's risk management strategy, framework, governance and policies is provided in the section. Additional mandatory disclosures are provided in the section.

Overview

2014 was characterised by a further recovery of the Dutch economy despite worldwide geopolitical tensions. The Dutch economy remained on a modest growth path thanks to higher exports and increased private consumption. Furthermore, the housing market continued its upward trend.

The recovery of the Dutch economy combined with more effective monitoring and portfolio intake is reflected in a decrease in loan impairments, primarily in mortgages and small-sized Commercial Clients.

The bank further solidified its liquidity position in 2014. The LCR rose above 100% while the NSFR remained comfortably above 100%. In addition, an increase in client deposits improved the LtD ratio and lowered the use of wholesale funding.

The transition to the collective defined contribution pension scheme largely eliminated future volatility in the regulatory capital position. In addition, the Dutch central bank assessed that the large majority of ABN AMRO's Tier 2 capital instruments are CRR compliant.

The bank's strong profit generation in 2014 enabled a final dividend proposal of EUR 275 million, bringing the total dividend over 2014 to EUR 400 million.

The outcome of the ECB AQR and stress test confirmed our prudent risk management approach. ABN AMRO considers itself to be generally conservatively provisioned given the minor effect of the AQR on our CET1 ratio. The stress test's results confirm that we are well capatalised and have sufficient buffers to absorb such losses and economic shocks.

The abovementioned developments are important elements in preparing the bank for the future. Moreover, these developments help further embed ABN AMRO's strategy of securing a sound risk/reward ratio based on a moderate risk profile.

Key developments

Driven by a modest recovery of the Dutch economy combined with strict monitoring and a balanced portfolio intake, loan impairments decreased significantly in 2014. Our prudent risk management approach was also confirmed by the outcome of the ECB Asset Quality Review: ABN AMRO comfortably passed this review and considers itself to be generally conservatively provisioned. No additional provisions related to the AQR were necessary.

ECB Asset Quality Review and stress test

The European Central Bank (ECB) took over the supervisory role of De Nederlandsche Bank (DNB) in November 2014. In preparing for the changeover, the ECB performed a comprehensive assessment which consisted of an Asset Quality Review (AQR) and a stress test.

The AQR aimed to enhance transparency of banks' balance sheets by reviewing asset quality, including the adequacy of asset and collateral valuations and related provisions. Under the AQR, the ECB reviewed selected portfolios covering at least 50% of a bank's risk exposure amount (REA). In ABN AMRO's case, the AQR covered over 60% of total REA and included large parts of our exposures in shipping, SMEs, real estate and mortgages.

ABN AMRO comfortably passed this review, with a minor impact of 0.12% on our 2013 CET1 capital ratio. This is not material, so we were therefore not required to make any restatements on our 2013 financials. Following this review, we have further investigated the findings as part of our standard processes. As a result, the Loss Emergence Period (LEP) applied to calculate the IBNI allowances increased from 4 to 6 months going forward. The financial impact amounted to EUR 40 million in the Retail Banking programme lending portfolios in 2014. With regard to specific provisions, ABN AMRO reviewed all individual files during the regular monitoring cycle which has led, if applicable, to an adjustment of the specific individual provision. In addition, the bank made minor adjustments to risk policies related to provisioning and to the definitions of performing and non-performing loans.

ABN AMRO considers itself to be generally conservatively provisioned, also given the minor effect of the AQR on our CET1 capital ratio. This attests to our prudent risk management approach.

Integrated risk management

ABN AMRO is committed to maintaining a moderate risk profile. As such, we need to strike the right balance between pursuing commercial interests and conducting responsible risk management. We do not take any risks we do not understand or that do not directly serve our clients' interests.

Under an integrated risk management approach, all of the bank's risks are analysed collectively and in relationship to one another. The complete risk profile of the bank is determined and monitored at a strategic level. The financial crisis has taught us the importance of viewing risks from a very wide perspective, both when granting credit and at a later stage in the credit life cycle.

Risk Management employees took an Integrated Risk Management training course in 2014. This course emphasises the importance of taking a holistic view of risks. Employees who have this knowledge and insight are more effective risk managers and give clients better advice, because they thoroughly understand the risks to which our clients are exposed. We need this level of expertise to be prepared for the future.

The stress test provided a view on the shock-absorption capacity under stress. ABN AMRO's CET1 ratio under the Adverse scenario amounted to 9.2% and was well above the minimum capital threshold of 5.5%. The stress test results confirm that ABN AMRO is well capitalised and has sufficient buffers to absorb such losses and economic shocks. ABN AMRO aims to maintain strong capital ratios, even under stress, as part of its moderate risk profile.

Key figures

(in millions)	31 December 2014	31 December 2013
Total assets	386,867	372,022
- of which Loans and receivables - banks[1]	21,680	23,967
- of which Loans and receivables - customers[1]	261,910	257,028
On-balance sheet maximum exposure to credit risk	375,007	358,480
Total Exposure at Default[2]	350,762	349,235
Risk exposure amount[2]		
Credit risk[3]	87,667	86,201
Operational risk	16,168	16,415
Market risk	5,811	6,396
Total risk exposure amount	**109,647**	**109,012**
Total risk exposure amount/total Exposure at Default[2]	31.3%	31.2%
	2014	2013
Cost of risk (in bps) - reported[4, 5]	45	37
Cost of risk (in bps) - underlying[4]	45	63

1 Excluding Securities financing due to the new presentation of the balance sheet.
2 2013 figures are reported under Basel II and the 2014 figures are reported using the Basel III (CRD IV/CRR) framework. Under Basel III 2013 pro-forma figures are: EAD EUR 353,856 million; total REA EUR 115,442 million; credit risk REA EUR 92,631 million. No REA impact from CRD IV/CRR on market and operational risk.
3 REA for credit value adjustment (CVA) and default fund contribution (DFC) are included in credit risk. In 2014 CVA amounted to EUR 1.3 billion (2013: EUR 1.5 billion) and DFC amounted to EUR 0.9 billion.
4 Cost of risk consists of impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.
5 2013 includes a release of EUR 432 million following the sale of the remaining Greek government-guaranteed corporate exposures. Additionally, 2013 includes a release of EUR 252 million following the sale of collateral related to the Madoff files.

Key figures per business segment EDTF 7 EDTF 13

	31 December 2014				
(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	Total
Total assets	157,614	22,935	133,579	72,739	386,867
On-balance sheet maximum exposure to credit risk	157,047	19,597	127,187	71,176	375,007
Total Exposure at Default[1]	175,460	21,137	103,619	50,546	350,762
Risk exposure amount					
Credit risk[1]	31,291	6,754	43,939	5,683	87,667
Operational risk	5,550	1,558	3,712	5,348	16,168
Market risk			5,811		5,811
Total risk exposure amount	**36,841**	**8,312**	**53,462**	**11,031**	**109,647**
Total risk exposure amount/Total Exposure at Default	21.0%	39.3%	51.6%	21.8%	31.3%
					2014
Cost of risk (in bps) - reported[2]	29	14	86		45
Cost of risk (in bps) - underlying[2]	29	14	86		45

1 REA for credit value adjustment (CVA) and default fund contribution (DFC) are included in credit risk. In 2014 CVA amounted to EUR 1.3 billion (2013: EUR 1.5 billion) and DFC amounted to EUR 0.9 billion.
2 Cost of risk consists of impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

Key figures per business segment EDTF 7 EDTF 13

	31 December 2013				
(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	Total
Total assets	160,630	20,617	117,809	72,966	372,022
On-balance sheet maximum exposure to credit risk	160,139	17,736	109,870	70,735	358,480
Total Exposure at Default[1]	175,844	21,198	95,145	57,048	349,235
Risk exposure amount[1]					
Credit risk	28,772	7,247	45,610	4,572	86,201
Operational risk	5,512	1,555	4,025	5,323	16,415
Market risk			6,396		6,396
Total risk exposure amount	**34,284**	**8,802**	**56,031**	**9,895**	**109,012**
Total risk exposure amount/Total Exposure at Default	19.5%	41.5%	58.9%	17.3%	31.2%
					2013
Cost of risk (in bps) - reported[2), 3)]	42	89	105		37
Cost of risk (in bps) - underlying[2)]	42	89	105		63

1 The 2013 figures are reported using the Basel II (CRD IV/CRR) framework. Under Basel III 2013 pro-forma figures are: EAD EUR 353,856 million; total REA EUR 115,442 million; credit risk REA EUR 92,631 million. No REA impact from CRD IV/CRR on market and operational risk.
2 Cost of risk consists of impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.
3 2013 includes a release of EUR 432 million following the sale of the remaining Greek government-guaranteed corporate exposures. Additionally, 2013 includes a release of EUR 252 million following the sale of collateral related to the Madoff files.

Growth of the Dutch economy was more broadly based. During the recession, exports were the sole driver but in 2013 investment activity started to contribute to growth, followed by private consumption in the course of 2014. Domestic spending played a more important role, mainly due to accelerating private consumption.

The improved economic conditions are reflected in a decline of EUR 0.5 billion impairment charges. Total underlying impairment charges decreased to EUR 1.2 billion at 31 December 2014, compared with EUR 1.7 billion at 31 December 2013. The main contributor to the decline in impairment charges was the Commercial loans portfolio and, to a lesser extent, the Residential mortgage portfolio and Consumer loans portfolio. The decline in impairments is clearly reflected in the underlying cost of risk ratio.

On-balance maximum exposure to credit risk increased by EUR 16.5 billion to EUR 375.0 billion at year-end 2014, compared with EUR 358.5 billion at year-end 2013. This increase was mainly a result of a rise in Financial investments of EUR 13.4 billion and a rise in Derivatives of EUR 11.0 billion related to a shift in the interest curve resulting in changes to the valuation of interest rate derivatives. The abovementionend increases were partly offset by lower excess funds at deposits for central banks.

The risk exposure amount (REA), formerly reported as risk-weighted assets (RWA), increased by EUR 0.6 billion to EUR 109.6 billion at 31 December 2014 compared with EUR 109.0 billion at 31 December 2013. This movement consists of an increase of EUR 6.4 billion due to REA impact from Basel II to Basel III, offset by a decline of EUR 2.2 billion related to decreased business volume in Corporate Banking. Furthermore oil and gas-related exposures moved from the Standardised Approach to advanced approach treatment, resulting in a decrease in REA of EUR 1.2 billion, also related to Corporate Banking.

The Exposure at Default (EAD) increased by EUR 1.5 billion to EUR 350.8 billion at 31 December 2014 from EUR 349.2 billion at 31 December 2013. This increase was mainly impacted by EUR 4.6 billion as a result of the transition from Basel II to Basel III. This impact was partly offset by a decrease in Group Functions of EUR 6.5 billion. Corporate Banking also saw an increase in Exposure at Default related to ECT Clients of EUR 2.2 billion.

Economic and regulatory capital EDTF 7 EDTF 13

(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	Total
31 December 2014					
Credit risk	2,503	540	3,515	455	7,013
Operational risk	444	125	297	428	1,293
Market risk			465		465
Regulatory capital[1]	**2,947**	**665**	**4,277**	**882**	**8,772**
Credit risk	4,298	450	4,069	889	9,706
Operational risk	294	199	808	285	1,586
Market risk			111		111
Business risk	381	298	455	9	1,143
Other risk types[2]	239	199	69	4,664	5,171
Economic capital	**5,212**	**1,146**	**5,512**	**5,847**	**17,717**
31 December 2013					
Credit risk	2,302	580	3,649	366	6,896
Operational risk	441	124	322	426	1,313
Market risk			512		512
Regulatory capital[1]	**2,743**	**704**	**4,482**	**792**	**8,721**
Credit risk	3,921	769	5,644	478	10,812
Operational risk	374	272	698	439	1,783
Market risk			116		116
Business risk	206	248	554	12	1,020
Other risk types[2]	322	191	93	4,073	4,679
Economic capital	**4,823**	**1,480**	**7,105**	**5,002**	**18,410**

1 Minimum regulatory capital (8% of total risk exposure amount), representing the absolute minimum amount of capital required by a bank to cover three major risk types a bank faces. However available total capital ratios are substantially higher, as explained in the capital section.
2 Other risk types include market risk banking book (including interest rate risk) and pension risk.

In 2014 total economic capital (EC) amounted to EUR 17.7 billion, a decrease of EUR 690 million compared with 31 December 2013. The main contributors to this decrease were credit risk (EUR 1.1 billion) and operational risk (EUR 197 million). These developments were partially offset by an increase of interest rate risk economic capital of EUR 808 million.

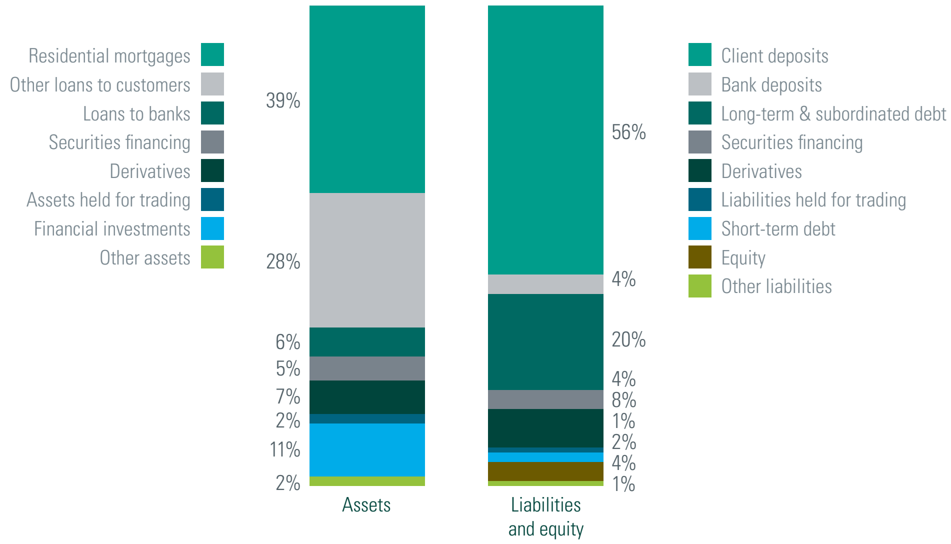
Credit risk EC declined as a result of regular updates in PD, LGD and EAD models, and due to an improvement in the overall quality of the portfolio. This improvement is a direct consequence of a better macroeconomic environment.

Operational risk EC decreased due to an update of Risk Control Self Assessments (RCSA) and the addition of a new set of scenario analysis data, external loss data and internal loss data. In addition, the correlation of operational risk with other risk types decreased (compared with 2013), which led to a higher diversification benefit.

Balance sheet composition

ABN AMRO is mainly active in the Dutch market and in international operations where we have specific expertise and hold leading market positions in selected activities. The balance sheet composition reflects the bank's moderate risk profile.

Balance sheet composition at 31 December 2014



- Approximately two-thirds of the bank's assets consist of lending to (mainly Dutch) clients and banks;
- The bank's lending activities are largely asset-based;
- There is no exposure to CDOs or CLOs;
- In terms of funding, the bank's loan portfolio is matched by client deposits, long-term debt & subordinated liabilities, and equity with limited reliance on short-term debt;
- Securities financing, by the nature of its business, is a fully collateralised activity, e.g. repo transactions and stock borrowing & lending activities;
- There is limited market risk and client-related trading portfolios;
- The bank's financial investments for liquidity management purposes consist mainly of high-quality liquid instruments used for liquidity management.

Credit risk EDTF 26

Credit risk exposure

Credit risk overview Audited

(in millions)		31 December 2014		31 December 2013		31 December 2012
Total assets		**386,867**		372,022		393,758
Less: items that are not subject to credit risk exposure[1]		11,860		13,542		10,699
On-balance sheet maximum exposure to credit risk		**375,007**		**358,480**		**383,059**
Off-balance sheet						
Committed credit facilities	16,164		13,764		17,635	
Guarantees and other commitments	15,335		16,103		16,777	
Revocable credit facilities	78,508		71,657		72,343	
Total Off-balance sheet credit facilities and guarantees		110,007		101,524		106,755
Maximum exposure to credit risk		**485,014**		**460,004**		**489,814**
Adjustments on assets[2]		-9,852		-7,636		-5,674
Valuation adjustments[3]		-11,563		-5,141		-11,403
Offsetting and netting		-23,508		-17,138		-31,461
Off-balance sheet credit facilities and guarantees		-110,007		-101,524		-106,755
Off-balance sheet exposure fraction expected to be drawn prior to default (Credit Conversion Factors)		20,677		20,670		25,521
Total Exposure at Default		**350,762**		**349,235**		**360,042**
Credit risk risk exposure amount/Total Exposure at Default		25.0%		24.7%		27.9%

1 Items that are not subject to credit risk: more details are provided in additional risk & capital information section, table 'Maximum exposure to credit risk EU IFRS.
2 Main adjustments on assets are equity instruments, selected financial assets held for trading and fair value adjustments from hedge accounting.
3 Adjustments on valuation include loan impairment allowances.

Overall credit risk EAD and REA Pillar 3 EDTF 14 EDTF 15

(in millions)	Original Exposure at Default	Netting/ Exposure at Default mitigation[3]	Exposure at Default	Average Exposure at Default	Risk exposure amount	Risk exposure amount/ Exposure at Default
						31 December 2014
Credit risk IRB						
Central governments and central banks	37,753	-4,332	42,085	40,154	2,020	4.8%
Institutions[1]	22,307	4,016	18,291	18,644	4,972	27.2%
Corporates	198,495	108,644	89,851	85,236	36,586	40.7%
Retail	179,884	6,273	173,611	164,309	28,646	16.5%
- of which secured by immovable property	156,386	-1,198	157,584	147,580	21,521	13.7%
- of which qualifying revolving exposures	13,125	5,990	7,135	7,081	3,702	51.9%
- of which other retail	10,373	1,481	8,892	9,648	3,423	38.5%
Credit valuation adjustment					1,264	
Securitisation positions	3,297	863	2,434	11,059	237	9.7%
Subtotal	**441,736**	**115,463**	**326,273**	**319,402**	**73,726**	**22.6%**
Equities not held for trading	1,124		1,124	955	5,009	445.6%
Other[2]	1,326		1,326	1,390	1,099	82.8%
Total IRB	**444,186**	**115,463**	**328,723**	**321,746**	**79,833**	**24.3%**
Credit risk SA						
Central governments and central banks	2,606		2,606	1,472	154	5.9%
Institutions[1]	6,288	2	6,286	6,239	344	5.5%
Corporates	6,973	2,367	4,606	11,333	3,758	81.6%
Retail	7,216	4,726	2,490	2,586	974	39.1%
Covered bonds						
Secured by mortgages on immovable property	2,728	22	2,706	1,836	541	20.0%
Exposures in default	690	573	117	83	156	134.1%
Other				5,033		
Subtotal	**26,501**	**7,690**	**18,811**	**28,581**	**5,927**	**31.5%**
Other[2]	3,228		3,228		1,907	59.1%
Total SA	**29,729**	**7,690**	**22,039**	**28,581**	**7,834**	**35.5%**
Total	**473,915**	**123,153**	**350,762**	**350,327**	**87,667**	**25.0%**

1 Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
2 Other includes non-credit obligation assets.
3 Consists mainly of netting, secured funding trades, guarantees, credit conversion factors, and impairments under the Standardised Approach.

Overall credit risk EAD and REA Pillar 3 EDTF 14 EDTF 15

	31 December 2013					
(in millions)	Original Exposure at Default	Netting/ Exposure at Default mitigation[3]	Exposure at Default	Average Exposure at Default	Risk exposure amount	Risk exposure amount/ Exposure at Default
Credit risk IRB						
Central governments and central banks	46,474	1,454	45,020	43,480	528	1.2%
Institutions[1]	21,228	2,646	18,582	19,023	4,201	22.6%
Corporates	193,470	105,991	87,479	86,836	39,020	44.6%
Retail	182,255	8,057	174,198	174,007	27,212	15.6%
- of which retail mortgages	157,649	-254	157,903	157,589	19,326	12.2%
- of which qualifying revolving exposures	13,149	5,875	7,274	7,153	3,700	50.9%
- of which other retail	11,457	2,436	9,021	9,264	4,186	46.4%
Securitisation positions	2,511		2,511	2,642	286	11.4%
Subtotal	**445,938**	**118,148**	**327,790**	**325,988**	**71,247**	**21.7%**
Equities not held for trading	951		951	834	2,733	287.4%
Other[2]	1,452		1,452	1,473	1,490	102.6%
Total IRB	**448,341**	**118,148**	**330,193**	**328,295**	**75,470**	**22.9%**
Credit risk SA						
Central governments and central banks	303	-37	340	391	80	23.5%
Institutions[1]	2,116		2,116	2,008	425	20.1%
Corporates	10,249	3,611	6,638	11,512	5,930	89.3%
Retail	8,847	5,198	3,649	3,882	1,364	37.4%
- of which Retail mortgages	2,313	51	2,262	2,188	497	22.0%
- of which Other retail	6,534	5,147	1,387	1,694	867	62.5%
Subtotal	**21,515**	**8,772**	**12,743**	**17,793**	**7,799**	**61.2%**
Other[2]	6,299		6,299	5,576	2,932	46.5%
Total SA	**27,814**	**8,772**	**19,042**	**23,369**	**10,731**	**56.4%**
Total	**476,155**	**126,920**	**349,235**	**351,664**	**86,201**	**24.7%**

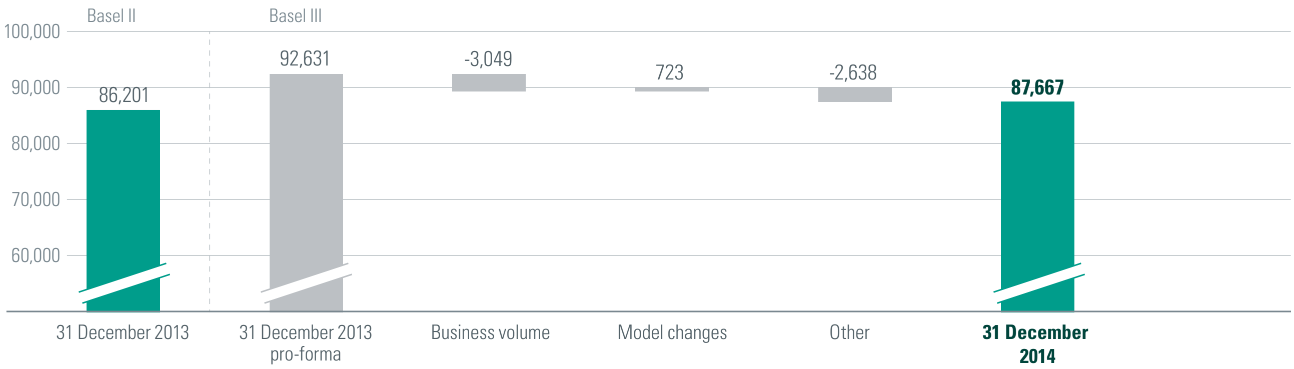
1 Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
2 Other includes non-credit obligation assets.
3 Consists mainly of netting, secured funding trades, guarantees, credit conversion factors, and impairments under the Standardised Approach.

Exposure at Default was EUR 350.8 billion at 31 December 2014, an increase of EUR 1.5 billion compared with EUR 349.2 billion at 31 December 2013.

The total IRB portfolio grew by EUR 1.5 billion mainly as result of an increase of EUR 2.4 billion in Corporates driven by the ECT Clients portfolio. The increase was offset by a decrease of EUR 2.9 billion in Central governments and central banks and a decline in Retail of EUR 0.5 billion, mainly related to a decrease in the Residential mortgage portfolio.

The Standardised EAD portfolio increased by EUR 3.0 billion to EUR 22.0 billion at 31 December 2014, compared with EUR 19.0 billion at 31 December 2013. This was chiefly driven by the impact of the move from Basel II to Basel III.

REA flow statement credit risk EDTF 16
(in millions)



REA for credit risk was impacted by the change in calculation method from Basel II to Basel III, resulting in an increase of EUR 6.4 billion to EUR 92.6 billion.

At 31 December 2014, REA amounted EUR 87.7 billion. This decline was mainly the result of lower business volume for EUR 3.0 billion and a decrease in other items in the amount of EUR 2.3 billion. Other items consist of several smaller items, including declines in REA for residential mortgages due to lower amounts in arrears and due to better client ratings.

Credit quality by exposure class Audited Pillar 3

(in millions, Exposure at Default)	Investment grade	Sub-investment grade	Default without provision	Default with provision	Total
					31 December 2014
Central governments and central banks	41,815	270			42,085
Institutions[1]	17,867	418	7		18,291
Corporates	33,899	50,658	1,070	4,224	89,851
Retail	135,157	35,258		3,196	173,611
- of which secured by immovable property	129,370	25,931		2,284	157,585
- of which qualifying revolving exposures	2,483	4,310		341	7,134
- of which other retail	3,304	5,017		571	8,892
Securitisation positions	2,434				2,434
Total IRB[2]	**231,172**	**86,604**	**1,077**	**7,420**	**326,273**
Total SA[3]					18,811
Total					**345,084**

	Investment grade	Sub-investment grade	Default without provision	Default with provision	Total
					31 December 2013
Central governments and central banks	44,998	22			45,020
Institutions[1]	17,811	763		8	18,582
Corporates	28,999	52,775	1,290	4,415	87,479
Retail	135,764	35,202		3,232	174,198
- of which retail mortgages	130,112	25,444		2,347	157,903
- of which qualifying revolving exposures	2,322	4,687		265	7,274
- of which other retail	3,330	5,071		620	9,021
Securitisation positions	2,511				2,511
Total IRB[2]	**230,083**	**88,762**	**1,290**	**7,655**	**327,790**
Total SA[3]					12,743
Total					**340,533**

	Investment grade	Sub-investment grade	Default without provision	Default with provision	Total
					31 December 2012
Central governments and central banks	45,963	3			45,966
Institutions[1]					
Corporates	20,129	52,510	1,593	4,679	78,911
Retail	138,900	38,065		2,876	179,841
- of which retail mortgages	129,860	28,722		2,063	160,645
- of which qualifying revolving exposures	2,387	4,207		225	6,819
- of which other retail	6,653	5,136		588	12,377
Securitisation positions	2,811				2,811
Total IRB[2]	**207,803**	**90,578**	**1,593**	**7,555**	**307,529**
Total SA[3]					45,347
Total					**352,876**

1 Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
2 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.
3 Exposure at Default does not include EAD calculated for other non-credit obligations.

The credit quality distribution of the total IRB portfolio improved slightly. The investment grade portfolio increased by EUR 1.1 billion to EUR 232.2 billion at 31 December 2014 compared with EUR 230.1 billion at 31 December 2013. The increase consists of a rise in the exposure class Corporates partly offset by a decline in the exposure class Central governments and central banks, as result of lower Deposits at central banks. Furthermore, a slight decrease in the investment grade portfolio for the exposure class Retail of EUR 0.6 billion at 31 December 2014 compared with 31 December 2013 was related to the mortgages portfolio, mainly as a result of a decline in the residential mortgage portfolio at year-end 2014.

The residential mortgage portfolio declined due to higher redemptions, which exceeded new production in 2014.

The sub-investment portfolio decreased by EUR 2.2 billion to EUR 86.6 billion at year-end 2014 compared with year-end 2013, a result of a decline in the exposure class Corporates.

The default portfolio declined by EUR 0.4 billion, mainly as a result of improved economic conditions.

Counterparty credit risk Pillar 3 EDTF 29

Counterparty risk by exposure class Pillar 3 EDTF 29

	31 December 2014			31 December 2013		
	Total	of which:		Total	of which:	
(in millions, Exposure at Default)		Derivatives	Securities financing transactions		Derivatives	Securities financing transactions
Credit risk						
Central governments and central banks	42,085	455	119	45,020	303	48
Institutions[1]	18,291	6,099	1,412	18,582	4,802	1,797
Corporates	89,851	4,704	968	87,479	3,748	635
Retail	173,611			174,198		
- of which secured by immovable property/retail mortgages	157,585			157,903		
- of which qualifying revolving exposures	7,134			7,274		
- of which other retail	8,892			9,021		
Securitisation positions	2,434			2,511		
Total IRB[2]	**326,273**	**11,258**	**2,499**	**327,790**	**8,853**	**2,480**
Total SA[3]	18,811	2,244	3,589	12,743	149	1,260
Total	**345,084**	**13,502**	**6,088**	**340,533**	**9,002**	**3,740**

1 Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
2 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.
3 Exposure at Default does not include EAD calculated for other non-credit obligations.

Credit risk concentration Audited Pillar 3

Geographic concentration

The consolidated exposures in the table are allocated to the geographical regions where clients are domiciled. The bank monitors and manages country risk based on the country of risk. The country of ultimate risk may be different from the country of domicile, e.g. when financing a project in another country than where the borrower is domiciled.

Geographic concentration by EAD Pillar 3

(in millions, Exposure at Default)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
						31 December 2014
Central governments and central banks	19,348	18,172	1,959	2,309	297	42,085
Institutions[1]	5,795	6,273	2,230	3,590	403	18,291
Corporates	50,534	19,983	3,487	6,713	9,134	89,851
Retail	172,700	710	50	79	72	173,611
- of which secured by immovable property	156,990	448	42	60	45	157,585
- of which qualifying revolving exposures	7,043	75	3	4	9	7,134
- of which other retail	8,667	187	5	15	18	8,892
Securitisation positions	2,434					2,434
Total IRB[2]	**250,811**	**45,138**	**7,726**	**12,691**	**9,906**	**326,273**
Total SA[3]	9,168	7,701	1,177	284	481	18,811
Total	**259,979**	**52,839**	**8,903**	**12,975**	**10,387**	**345,084**
Percentage of total	75.3%	15.3%	2.6%	3.8%	3.0%	100.0%

	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
						31 December 2013
Central governments and central banks	27,796	14,929	1,494	685	116	45,020
Institutions[1]	4,418	8,906	1,169	3,348	741	18,582
Corporates	55,033	17,910	1,980	5,721	6,835	87,479
Retail	174,198					174,198
- of which retail mortgages	157,903					157,903
- of which qualifying revolving exposures	7,274					7,274
- of which other retail	9,021					9,021
Securitisation positions	2,511					2,511
Total IRB[2]	**263,956**	**41,745**	**4,643**	**9,754**	**7,692**	**327,790**
Total SA[3]	7,746	3,240	1,195	330	232	12,743
Total	**271,702**	**44,985**	**5,838**	**10,084**	**7,924**	**340,533**
Percentage of total	79.8%	13.2%	1.7%	3.0%	2.3%	100.0%

	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
						31 December 2012
Central governments and central banks	37,542	8,159	151	113	1	45,966
Institutions[1]						
Corporates	49,861	15,884	3,100	3,878	6,188	78,911
Retail	179,774	63	1	1	2	179,841
- of which retail mortgages	160,582	63				160,645
- of which qualifying revolving exposures	6,819					6,819
- of which other retail	12,373		1	1	2	12,377
Securitisation positions	2,811					2,811
Total IRB[2]	**269,988**	**24,106**	**3,252**	**3,992**	**6,191**	**307,529**
Total SA[3]	23,934	13,757	3,036	2,857	1,763	45,347
Total	**293,922**	**37,863**	**6,288**	**6,849**	**7,954**	**352,876**
Percentage of total	83.3%	10.7%	1.8%	1.9%	2.3%	100.0%

1 Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
2 Total Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.
3 Exposure at Default does not include EAD calculated for other non-credit obligations.

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The geographical concentrations reflect the bank's business profile, with a large portfolio which is mainly concentrated in the Netherlands (75.3%), and an increasing share outside of the Netherlands which reflects the nature of ABN AMRO's business profile.

Businesses outside the Netherlands are primarily located in neighbouring countries in Europe, and specialised activities, such as Energy, Commodities & Transportation Clients (ECT Clients), Clearing, Securities Financing and Private Banking International, are located outside of Europe.

Industry concentration

ABN AMRO applies industry concentration limits following the Industry Classification Benchmark (ICB) categorisation. In the exposure table, non-material industry clusters are aggregated under Other. Industry concentration limits are established in the bank risk appetite. In the review of the risk appetite during 2013, thresholds for concentrations to each industry were re-assessed based on relative risk, importance of the industry to the Dutch economy and expert opinion.

Industry concentration is presented both in terms of original obligor and in terms of resultant obligor. Original obligor refers to the counterparty with whom ABN AMRO originally has the contractual relationship, often referred to as the borrower. The resultant obligor is the counterparty to which ABN AMRO has the ultimate credit risk, often referred to as the guarantor.

The industry view, based on original obligor, and resultant obligor differs significantly for the industries real estate, healthcare and public administration. The governement-guaranteed exposures are included in the original obligor view under the applicable industry sector. However in the resultant obligor view these exposures are included in the public administration industry sector, as they concern government-related exposures.

Industry concentration by EAD Audited Pillar 3

	31 December 2014			
(in millions, Exposure at Default)	Exposure at Default (original obligor)	Percentage of total	Exposure at Default (resultant obligor)	Percentage of total
Industry sector				
Banks	16,459	4.8%	14,453	4.2%
Financial services[1]	9,480	2.7%	9,497	2.8%
Industrial goods and services	18,747	5.4%	18,407	5.3%
Real estate	14,480	4.2%	11,221	3.3%
Oil and gas	10,529	3.1%	10,404	3.0%
Food and beverage	10,910	3.2%	10,823	3.1%
Retail	4,418	1.3%	4,304	1.2%
Basic resources	4,005	1.2%	3,992	1.2%
Healthcare	5,276	1.5%	5,126	1.5%
Construction and materials	2,922	0.8%	2,739	0.8%
Other[2]	23,915	6.9%	26,278	7.6%
Subtotal Industry Classification Benchmark	**121,141**	**35.1%**	**117,244**	**34.0%**
Private individuals (non-Industry Classification Benchmark)	186,704	54.1%	186,836	54.1%
Public administration (non-Industry Classification Benchmark)	37,239	10.8%	41,004	11.9%
Subtotal non-Industry Classification Benchmark	**223,943**	**64.9%**	**227,840**	**66.0%**
Exposure at Default[3]	**345,084**	**100.0%**	**345,084**	**100.0%**

1 Financial services include asset managers, credit card companies and providers of personal financial services and securities and brokers.
2 Other includes travel and leisure, utilities, personal and household goods, media, technology, automobile and parts, chemicals, telecommunication and insurance, in addition to unclassified.
3 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

Industry concentration by EAD Audited Pillar 3

(in millions, Exposure at Default)	31 December 2013			
	Exposure at Default (original obligor)	Percentage of total	Exposure at Default (resultant obligor)	Percentage of total
Industry sector				
Banks	16,990	5.0%	16,983	5.0%
Financial services[1]	7,935	2.3%	7,949	2.4%
Industrial goods and services	18,024	5.3%	17,869	5.3%
Real estate	14,068	4.1%	12,326	3.6%
Oil and gas	7,581	2.2%	7,576	2.2%
Food and beverage	8,575	2.5%	8,508	2.5%
Retail	7,302	2.2%	7,181	2.1%
Basic resources	4,498	1.3%	4,486	1.3%
Healthcare	4,221	1.3%	4,046	1.2%
Construction and materials	3,196	0.9%	3,100	0.9%
Other[2]	45,831	13.5%	45,437	13.3%
Subtotal Industry Classification Benchmark	**138,221**	**40.6%**	**135,461**	**39.8%**
Private individuals (non-Industry Classification Benchmark)	181,011	53.1%	182,209	53.5%
Public administration (non-Industry Classification Benchmark)	21,301	6.3%	22,863	6.7%
Subtotal non-Industry Classification Benchmark	**202,312**	**59.4%**	**205,072**	**60.2%**
Exposure at Default[3]	**340,533**	**100.0%**	**340,533**	**100.0%**

1 Financial services include asset managers, credit card companies and providers of personal financial services and securities and brokers.
2 Other includes travel and leisure, utilities, personal and household goods, media, technology, automobile and parts, chemicals, telecommunication and insurance, in addition to unclassified.
3 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

Industry concentration by EAD Audited Pillar 3

(in millions, Exposure at Default)	Exposure at Default (original obligor)	Percentage of total	Exposure at Default (resultant obligor)	Percentage of total
				31 December 2012
Industry sector				
Banks	14,597	4.1%	14,251	4.0%
Financial services[1]	10,136	2.9%	10,240	2.9%
Industrial goods and services	18,599	5.3%	18,447	5.2%
Real estate	14,688	4.2%	12,041	3.4%
Oil and gas	8,349	2.3%	8,350	2.4%
Food and beverage	9,093	2.6%	8,997	2.6%
Retail	7,712	2.2%	7,525	2.1%
Basic resources	4,445	1.3%	4,410	1.2%
Healthcare	4,514	1.3%	3,866	1.1%
Construction and materials	3,806	1.1%	3,714	1.1%
Other[2]	43,442	12.2%	43,055	12.2%
Subtotal Industry Classification Benchmark	**139,381**	**39.5%**	**134,896**	**38.2%**
Private individuals (non-Industry Classification Benchmark)	182,285	51.7%	182,391	51.7%
Public administration (non-Industry Classification Benchmark)	31,210	8.8%	35,589	10.1%
Subtotal non-Industry Classification Benchmark	**213,495**	**60.5%**	**217,980**	**61.8%**
Exposure at Default[3]	**352,876**	**100.0%**	**352,876**	**100.0%**

1 Financial services include asset managers, credit card companies and providers of personal financial services and securities and brokers.
2 Other includes travel and leisure, utilities, personal and household goods, media, technology, automobile and parts, chemicals, telecommunication and insurance, in addition to unclassified.
3 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

The industry concentration consists for 54% of credit risk exposures to private individuals (non-Industry Classification Benchmark), which consists mainly of residential mortgage loans and, to a lesser extent, consumer loans.

The industry sector industrial goods and services is composed of a broad variety of sub-sectors, including industrial transportation, support services and industrial engineering. The concentration remained fairly stable at 5.4%.

The concentration in the industry sector oil and gas increased 0.9% to 3.1% at year-end 2014, mainly due to more business volume in ECT Clients.

Due to a better allocation of exposures, the other category decreased to EUR 23.9 billion at year-end 2014 compared with EUR 45.8 billion at year-end 2013.

Credit risk mitigation Audited EDTF 30

Offsetting, netting, collateral and guarantees Audited EDTF 30

Financial assets: offsetting, netting and collateral & guarantees Audited EDTF 30

										31 December 2014
	Offset in the statement of financial position			Not offset in the statement of financial position						Net exposure[7]
(in millions)	Carrying amount before balance-sheet netting	Balance sheet netting with gross liabilities	Carrying amount	Master netting agreement[5]	Financial instruments collateral	Property & equipment	Other collateral and guarantees	Total risk mitigation	Surplus collateral[6]	
Financial assets held for trading	**4,071**		**4,071**				**136**	**136**		**3,935**
Derivatives held for trading	45,646	25,916	19,730	13,946				13,946		5,784
Non-trading derivative assets	8,642	3,087	5,555	5,533				5,533		22
Derivatives	**54,288**	**29,003**	**25,285**	**19,479**				**19,479**		**5,806**
Securities financing	**22,054**	**3,543**	**18,511**	**59**	**19,831**			**19,890**	**1,829**	**449**
Interest-bearing deposits	4,051	491	3,560	37				37		3,523
Loans and advances	13,178	1,796	11,382	9,813				9,813		1,569
Other	6,750	11	6,739							6,739
Total loans and receivables - banks[1]	**23,979**	**2,298**	**21,680**	**9,850**				**9,850**		**11,830**
Loans and receivables - customers										
Residential mortgages[2]	159,950	7,952	151,998	25	98	205,730	5,072	210,925	71,635	12,708
Consumer loans	15,936	538	15,398	139	4,361	5,260	48	9,807	1,422	7,013
Commercial loans[2,3]	108,753	25,893	82,860	3,121	26,146	30,749	8,434	68,450	18,083	32,494
Other loans and receivables - customers[4]	12,681	1,027	11,654	1,585	4,008	2,866	2,488	10,946	2,287	2,994
Total Loans and receivables - customers[1]	**297,321**	**35,411**	**261,910**	**4,870**	**34,613**	**244,605**	**16,041**	**300,129**	**93,427**	**55,208**
Other assets	**1,926**		**1,926**		**2**		**52**	**54**		**1,872**
Total on-balance sheet subject to netting and pledged agreements	**403,639**	**70,255**	**333,383**	**34,258**	**54,446**	**244,605**	**16,229**	**349,538**	**95,256**	**79,101**
Assets not subject to netting and pledged agreements	53,484		53,484							53,484
Total assets	**457,123**	**70,255**	**386,867**	**34,258**	**54,446**	**244,605**	**16,229**	**349,538**	**95,256**	**132,585**
Total off-balance sheet	110,007		110,007	152	2,429	3,250	1,795	7,625	829	103,211
Total on- and off-balance sheet	**567,130**	**70,255**	**496,874**	**34,410**	**56,875**	**247,854**	**18,024**	**357,163**	**96,085**	**235,796**

1 Excluding Securities financing due to the new presentation of the balance sheet.
2 Carrying amount includes fair value adjustments from hedge accounting and loan impairment allowances.
3 As of 2014, a refined methodology for reporting of surplus collateral has been applied for ABN AMRO Clearing. This refinement has no impact on the net exposure amount.The historical information is adjusted for comparability purposes.
4 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.
5 Master netting agreement includes cash collateral.
6 Surplus collateral is the amount of over-collateralisation, calculated on an individual basis.
7 Net exposure represents the portfolio corrected for the surplus amount and gives a view on the potential shortfall in collateral on the total portfolio.

Financial assets: offsetting, netting and collateral & guarantees Audited EDTF 30

										31 December 2013
	Offset in the statement of financial position			Not offset in the statement of financial position						Net exposure[7]
(in millions)	Carrying amount before balance-sheet netting	Balance sheet netting with gross liabilities	Carrying amount	Master netting agreement[5]	Financial instruments collateral	Property & equipment	Other collateral and guarantees	Total risk mitigation	Surplus collateral[6]	
Financial assets held for trading	**5,548**		**5,548**							**5,548**
Derivatives held for trading	24,210	12,362	11,848	7,670				7,670		4,178
Non-trading derivative assets	2,423		2,423	1,359				1,359		1,064
Derivatives	**26,633**	**12,362**	**14,271**	**9,029**				**9,029**		**5,242**
Securities financing	**21,129**	**2,767**	**18,362**	**593**	**20,806**			**21,399**	**3,712**	**675**
Interest-bearing deposits	16,477	507	15,970	18				18		15,952
Loans and advances	7,621		7,621	6,714				6,714	126	1,033
Other	856	480	376							376
Total loans and receivables - banks[1]	**24,954**	**987**	**23,967**	**6,732**				**6,732**	**126**	**17,361**
Loans and receivables - customers										
Residential mortgages[2]	160,892	7,453	153,439		212	208,018	5,410	213,640	73,178	12,977
Consumer loans	16,774	1,146	15,628		1,889	5,989	77	7,955	235	7,908
Commercial loans[2, 3]	121,618	40,959	80,659	1,574	20,008	28,921	9,086	59,589	10,900	31,970
Other loans and receivables - customers[4]	11,093	3,791	7,302	360	3,440	2,714	159	6,673	2,028	2,657
Total Loans and receivables - customers[1]	**310,377**	**53,349**	**257,028**	**1,934**	**25,549**	**245,642**	**14,732**	**287,857**	**86,341**	**55,512**
Other assets	**2,182**		**2,182**		**2**		**33**	**35**		**2,147**
Total on-balance sheet subject to netting and pledged agreements	**390,823**	**69,465**	**321,358**	**18,288**	**46,357**	**245,642**	**14,765**	**325,052**	**90,179**	**86,485**
Assets not subject to netting and pledged agreements	50,664		50,664							50,664
Total assets	**441,487**	**69,465**	**372,022**	**18,288**	**46,357**	**245,642**	**14,765**	**325,052**	**90,179**	**137,149**
Total off-balance sheet	101,524		101,524		247	1,898	2,173	4,318	306	97,512
Total on- and off-balance sheet	**543,011**	**69,465**	**473,546**	**18,288**	**46,604**	**247,540**	**16,938**	**329,370**	**90,485**	**234,661**

1 Excluding Securities financing due to the new presentation of the balance sheet.
2 Carrying amount includes fair value adjustments from hedge accounting and loan impairment allowances.
3 As of 2014, a refined methodology for reporting of surplus collateral has been applied for ABN AMRO Clearing. This refinement has no impact on the net exposure amount.The historical information is adjusted for comparability purposes.
4 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.
5 Master netting agreement includes cash collateral.
6 Surplus collateral is the amount of over-collateralisation, calculated on an individual basis.
7 Net exposure represents the portfolio corrected for the surplus amount and gives a view on the potential shortfall in collateral on the total portfolio.

Financial assets: offsetting, netting and collateral & guarantees Audited EDTF 30

	31 December 2012									
	Offset in the statement of financial position			Not offset in the statement of financial position						Net exposure[7]
(in millions)	Carrying amount before balance-sheet netting	Balance sheet netting with gross liabilities	Carrying amount	Master netting agreement[5]	Financial instruments collateral	Property & equipment	Other collateral and guarantees	Total risk mitigation	Surplus collateral[6]	
Financial assets held for trading	**4,550**		**4,550**							**4,550**
Derivatives held for trading	39,634	22,380	17,254	9,266				9,266		7,988
Non-trading derivative assets	4,095		4,095	1,961				1,961		2,134
Derivatives	**43,729**	**22,380**	**21,349**	**11,227**				**11,227**		**10,122**
Securities financing	**37,436**	**8,643**	**28,793**	**833**	**28,190**			**29,023**	**930**	**700**
Interest-bearing deposits	22,602	1,122	21,480				60	60		21,420
Loans and advances	10,219		10,219	9,437				9,437	27	809
Other	619	135	484		164			164		320
Total loans and receivables - banks[1]	**33,440**	**1,257**	**32,183**	**9,437**	**164**		**60**	**9,661**	**27**	**22,549**
Loans and receivables - customers										
Residential mortgages[2]	164,513	5,848	158,665		346	221,843	4,876	227,065	82,384	13,984
Consumer loans	17,085	885	16,200		1,822	6,716	67	8,605	20	7,615
Commercial loans[2, 3]	134,926	52,793	82,133	2,033	14,065	30,227	9,331	55,656	4,727	31,204
Other loans and receivables - customers[4]	10,555	5,101	5,454	810	2,893	2,537	209	6,449	1,718	723
Total Loans and receivables - customers[1]	**327,079**	**64,627**	**262,452**	**2,843**	**19,126**	**261,323**	**14,483**	**297,775**	**88,849**	**53,526**
Other assets	**2,560**		**2,560**		**2**		**36**	**38**		**2,522**
Total on-balance sheet subject to netting and pledged agreements	**448,794**	**96,907**	**351,887**	**24,340**	**47,482**	**261,323**	**14,579**	**347,724**	**89,806**	**93,969**
Assets not subject to netting and pledged agreements	41,871		41,871							41,871
Total assets	**490,665**	**96,907**	**393,758**	**24,340**	**47,482**	**261,323**	**14,579**	**347,724**	**89,806**	**135,840**
Total off-balance sheet	106,755		106,755		2,436	1,747	1,950	6,133	120	100,742
Total on- and off-balance sheet	**597,420**	**96,907**	**500,513**	**24,340**	**49,918**	**263,070**	**16,529**	**353,857**	**89,926**	**236,582**

1 Excluding Securities financing due to the new presentation of the balance sheet.
2 Carrying amount includes fair value adjustments from hedge accounting and loan impairment allowances.
3 As of 2014, a refined methodology for reporting of surplus collateral has been applied for ABN AMRO Clearing. This refinement has no impact on the net exposure amount. The historical information is adjusted for comparability purposes.
4 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.
5 Master netting agreement includes cash collateral.
6 Surplus collateral is the amount of over-collateralisation, calculated on an individual basis.
7 Net exposure represents the portfolio corrected for the surplus amount and gives a view on the potential shortfall in collateral on the total portfolio.

The carrying amount of Residential mortgages declined by EUR 1.4 billion to EUR 152.0 billion at 31 December 2014 compared with 31 December 2013, while net exposure declined by EUR 0.3 billion to EUR 12.7 billion.

In Commercial loans, the carrying amount increased by EUR 2.2 billion. Total risk mitigation within Commercial loans increased by EUR 8.9 billion to EUR 68.5 billion at year-end 2014. The increase of total risk mitigation is mainly the result of the increase of surplus collateral. The net exposure increased by EUR 0.5 billion to EUR 32.5 billion in comparison with 31 December 2013.

Surplus collateral is over-collateralisation, and is an additional security if the collateral declines in value.

The total off-balance sheet exposure consists of committed credit facilities, guarantees and other commitments and revocable credit facilities. Revocable credit facilities, for which no collateral is in place, amounted to EUR 79 billion at year-end 2014 (year-end 2013: EUR 72 billion). Although not committed, ABN AMRO is of the opinion that revocable credit facilities are subject to credit risk. Therefore, the total off-balance sheet exposure is reported. Once there is exposure on these facilities, collateralisation will be in place for the vast majority of these facilities.

Financial liabilities: offsetting, netting and collateral & guarantees Audited

								31 December 2014
	Offset in the statement of financial position			Not offset in the statement of financial position				Net exposure
(in millions)	Carrying amount before balance-sheet netting	Balance sheet netting with gross assets	Carrying amount	Master netting agreement[1]	Financial instruments collateral	Surplus collateral	Total risk mitigation	
Financial liabilities held for trading	**3,759**		**3,759**					**3,759**
Derivatives held for trading	45,754	27,551	18,203	15,155			15,155	3,048
Non-trading derivative liabilities	13,698	1,452	12,246	12,238			12,238	8
Derivatives	**59,452**	**29,003**	**30,449**	**27,393**			**27,393**	**3,056**
Securities financing	**17,461**	**3,543**	**13,918**	**56**	**10,972**	**2,684**	**13,712**	**5,574**
Deposits	16,261	562	15,699	3,786			3,786	11,913
Other	45		45					45
Due to banks	**16,306**	**562**	**15,744**	**3,786**			**3,786**	**11,958**
Deposits	253,017	37,151	215,867	3,176			3,176	212,690
Other borrowings	144		144					144
Due to customers	**253,161**	**37,151**	**216,011**	**3,176**			**3,176**	**212,834**
Other liabilities	**5,470**	**-4**	**5,473**					**5,473**
Total liabilities subject to netting arrangements	**355,609**	**70,255**	**285,353**	**34,410**	**10,972**	**2,684**	**48,067**	**242,655**
Remaining liabilities not subject to netting	86,637		86,637					86,637
Total liabilities	**442,246**	**70,255**	**371,990**	**34,410**	**10,972**	**2,684**	**48,067**	**329,292**

[1] Includes cash collateral.

Financial liabilities: offsetting, netting and collateral & guarantees Audited

	31 December 2013							
	Offset in the statement of financial position			Not offset in the statement of financial position				Net exposure
(in millions)	Carrying amount before balance-sheet netting	Balance sheet netting with gross assets	Carrying amount	Master netting agreement[1]	Financial instruments collateral	Surplus collateral	Total risk mitigation	
Financial liabilities held for trading	**4,399**		**4,399**					**4,399**
Derivatives held for trading	22,211	12,362	9,849	7,113			7,113	2,736
Non-trading derivative liabilities	7,378		7,378	7,323			7,323	55
Derivatives	**29,589**	**12,362**	**17,227**	**14,436**			**14,436**	**2,791**
Securities financing	**15,033**	**2,767**	**12,266**	**594**	**13,919**	**2,299**	**16,812**	**52**
Deposits	12,720	1,143	11,577	1,782			1,782	9,795
Other	49		49					49
Due to banks	**12,769**	**1,143**	**11,626**	**1,782**			**1,782**	**9,844**
Deposits	260,415	53,178	207,237	1,476			1,476	205,761
Other borrowings	347		347					347
Due to customers	**260,762**	**53,178**	**207,584**	**1,476**			**1,476**	**206,108**
Other liabilities	**7,128**	**15**	**7,113**					**7,113**
Total liabilities subject to netting arrangements	**329,680**	**69,465**	**260,215**	**18,288**	**13,919**	**2,299**	**34,506**	**230,307**
Remaining liabilities not subject to netting	98,239		98,239					98,239
Total liabilities	**427,919**	**69,465**	**358,454**	**18,288**	**13,919**	**2,299**	**34,506**	**328,546**

1 Includes cash collateral.

Financial liabilities: offsetting, netting and collateral & guarantees Audited

(in millions)	Carrying amount before balance-sheet netting	Balance sheet netting with gross assets	Carrying amount	Master netting agreement[1]	Financial instruments collateral	Surplus collateral	Total risk mitigation	Net exposure
								31 December 2012
	Offset in the statement of financial position			Not offset in the statement of financial position				Net exposure
Financial liabilities held for trading	**3,722**		**3,722**					**3,722**
Derivatives held for trading	38,756	22,380	16,376	9,190			9,190	7,186
Non-trading derivative liabilities	11,132		11,132	11,093			11,093	39
Derivatives	**49,888**	**22,380**	**27,508**	**20,283**			**20,283**	**7,225**
Securities financing	**28,164**	**8,643**	**19,521**	**833**	**18,547**	**175**	**19,555**	**316**
Deposits	18,206	1,322	16,884	1,621			1,621	15,263
Other	51		51					51
Due to banks	**18,257**	**1,322**	**16,935**	**1,621**			**1,621**	**15,314**
Deposits	265,735	64,473	201,262	1,603			1,603	199,659
Other borrowings	343		343					343
Due to customers	**266,078**	**64,473**	**201,605**	**1,603**			**1,603**	**200,002**
Other liabilities	**4,828**	**89**	**4,739**					**4,739**
Total liabilities subject to netting arrangements	**370,937**	**96,907**	**274,030**	**24,340**	**18,547**	**175**	**43,062**	**231,318**
Remaining liabilities not subject to netting	106,845		106,845					106,845
Total liabilities	**477,782**	**96,907**	**380,875**	**24,340**	**18,547**	**175**	**43,062**	**338,163**

[1] Includes cash collateral.

Management of forborne, past due and impaired loans

Forborne exposures Audited

The following table provides an overview of forborne assets, broken down into performing and non-performing assets, specified by type of forbearance measure. Clients in (potential) financial difficulty, where contract amendments have been made since 1 January 2012 which are considered to be a concession made by the bank, have been identified as forborne assets. A contract that is in a recovery phase at the reporting date is not considered forborne.

Overview of forborne assets Audited

31 December 2014

(in millions)	Gross carrying amount	Performing assets: Tempo-rary modifi-cation	Performing assets: Perma-nent modifi-cation	Performing assets: Refi-nancing	Total perform-ing forborne assets	Non-performing assets: Tempo-rary modifi-cation	Non-performing assets: Perma-nent modifi-cation	Non-performing assets: Refi-nancing	Total non-per-forming forborne assets	Total forborne assets	Forbear-ance ratio
Loans and receivables - banks[1]	**21,680**										**0.0%**
Loans and receivables - customers											
Residential mortgages[2]	152,536	1,027	28	122	1,177	606	3	29	638	1,814	1.2%
Consumer loans	16,052	92	68	126	286	99	32	52	184	470	2.9%
Commercial loans[2]	86,299	1,215	872	1,823	3,910	729	878	1,181	2,788	6,698	7.8%
Other loans and receivables - customers[3]	11,783	23			24	64	4		68	92	0.8%
Total Loans and receivables - customers[1]	**266,670**	**2,358**	**968**	**2,071**	**5,397**	**1,498**	**917**	**1,262**	**3,677**	**9,074**	**3.4%**
Total	**288,351**	**2,358**	**968**	**2,071**	**5,397**	**1,498**	**917**	**1,262**	**3,677**	**9,074**	**3.1%**

[1] Excluding Securities financing due to the new presentation of the balance sheet.
[2] Gross carrying amount includes fair value adjustments from hedge accounting.
[3] Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.

Overview of forborne assets Audited

31 December 2013

(in millions)	Gross carrying amount	Performing assets: Tempo-rary modifi-cation	Performing assets: Perma-nent modifi-cation	Performing assets: Refi-nancing	Total perform-ing forborne assets	Non-performing assets: Tempo-rary modifi-cation	Non-performing assets: Perma-nent modifi-cation	Non-performing assets: Refi-nancing	Total non-per-forming forborne assets	Total forborne assets	Forbear-ance ratio
Loans and receivables - banks[1]	**23,967**										**0.0%**
Loans and receivables - customers											
Residential mortgages[2]	154,024	961	8	15	984	1,373	4	60	1,437	2,421	1.6%
Consumer loans	16,241	45	61	107	213	60	7	57	124	337	2.1%
Commercial loans[2]	84,330	789	710	2,542	4,041	356	673	1,203	2,232	6,273	7.4%
Other loans and receivables - customers[3]	7,408	40	36	15	91			69	69	160	2.2%
Total Loans and receivables - customers[1]	**262,003**	**1,835**	**815**	**2,679**	**5,329**	**1,789**	**684**	**1,389**	**3,862**	**9,191**	**3.5%**
Total	**285,970**	**1,835**	**815**	**2,679**	**5,329**	**1,789**	**684**	**1,389**	**3,862**	**9,191**	**3.2%**

[1] Excluding Securities financing due to the new presentation of the balance sheet.
[2] Gross carrying amount includes fair value adjustments from hedge accounting.
[3] Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.

Overview of forborne assets Audited

31 December 2012

(in millions)	Gross carrying amount	Performing assets: Tempo-rary modifi-cation	Performing assets: Perma-nent modifi-cation	Performing assets: Refi-nancing	Total performing forborne assets	Non-performing assets: Tempo-rary modifi-cation	Non-performing assets: Perma-nent modifi-cation	Non-performing assets: Refi-nancing	Total non-per-forming forborne assets	Total forborne assets	Forbear-ance ratio
Loans and receivables - banks[1]	**32,183**										**0.0%**
Loans and receivables - customers											
Residential mortgages[2]	159,035	587	8	8	603	1,163	6	5	1,174	1,777	1.1%
Consumer loans	16,645	21	26	80	127	36	4	38	78	205	1.2%
Commercial loans[2]	86,727	703	517	1,896	3,116	248	318	899	1,465	4,581	5.3%
Other loans and receivables - customers[3]	5,557		15		15	20	64	10	94	109	2.0%
Total Loans and receivables - customers[1]	**267,964**	**1,311**	**566**	**1,984**	**3,861**	**1,467**	**392**	**952**	**2,811**	**6,672**	**2.5%**
Total	**300,147**	**1,311**	**566**	**1,984**	**3,861**	**1,467**	**392**	**952**	**2,811**	**6,672**	**2.2%**

1 Excluding Securities financing due to the new presentation of the balance sheet.
2 Gross carrying amount includes fair value adjustments from hedge accounting.
3 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.

Comparing year-end 2014 with year-end 2013, the total forborne exposure decreased slightly from EUR 9.2 billion to EUR 9.1 billion. This was mainly due to developments in the Residential mortgage and Commercial loan portfolios.

For the year-end 2013 figures, assumptions were applied to the Residential mortgages portfolio. In the first half of 2014, these assumptions were further refined. If we had applied these refined assumptions to the year-end 2013 figure, the forbearance exposure would have been EUR 0.5 billion lower.

The total forbearance exposure within Residential mortgages decreased by EUR 0.6 billion to EUR 1.8 billion at 31 December 2014 compared with EUR 2.4 billion at year-end 2013. Taking into account the refined assumptions for the year-end 2013 figures, the forbearance exposure would have decreased marginally.

The total forborne exposure for Residential mortgages at 31 December 2014 was mainly related to temporarily adjusted payment arrangements within the performing portfolio, whereas at 31 December 2013 it was mainly related to temporary modifications within the non-performing portfolio. This shift is mainly due to an inflow of new forborne clients into the performing portfolio and a reduction in the non-performing forborne portfolio as a result of the assignment of a recovery status to forborne clients.

To determine the forbearance exposure on Commercial loans, we take the following approach: if a contract with a commercial counterparty is forborne, all loans and receivables in the same credit arrangement are considered forborne.

The total forbearance exposure for Commercial loans increased by EUR 0.4 billion to EUR 6.7 billion at 31 December 2014, compared with EUR 6.3 billion at 31 December 2013, due to the inflow of new forborne clients. The rise of non-performing exposure was due to more performing forborne clients that were assigned the default status. The vast majority of forbearance measures were taken by the Financial Restructuring & Recovery (FR&R) department, as they manage most clients in, or potentially in, financial difficulties (both performing and non-performing).

Past due exposures Audited

When a counterparty is past due or exceeds its credit limit, all loans and receivables in the related credit arrangement are considered past due.

Ageing of past due not classified as impaired Audited

								31 December 2014
	Carrying amount		Days past due					
(in millions)	Gross	Assets not classified as impaired	< = 30	> 30 & <= 60	> 60 & <= 90	>90	Total past due but not impaired	Past due ratio
Securities financing	**18,521**	**18,511**						**0.0%**
Loans and receivables - banks[1]	**21,680**	**21,680**						**0.0%**
Loans and receivables - customers								
Residential mortgage[2]	152,536	151,058	3,057	463	118		3,639	2.4%
Consumer loans[3]	16,052	15,184	335	135	38	125	633	3.9%
Commercial loans[2]	86,299	81,310	924	182	51	590	1,747	2.0%
Other loans and receivables - customers[4]	11,783	11,518	72	8	3	12	94	0.8%
Total Loans and receivables - customers[1]	**266,670**	**259,070**	**4,388**	**788**	**210**	**727**	**6,114**	**2.3%**
Other assets	**1,932**	**1,920**	**202**	**19**	**8**	**24**	**253**	**13.1%**
Total	**308,804**	**301,181**	**4,590**	**807**	**218**	**750**	**6,366**	**2.1%**

1 Excluding Securities financing due to the new presentation of the balance sheet.
2 Gross carrying amount includes fair value adjustments from hedge accounting.
3 Consumer loans in the programme lending portfolio that are more than 90 days past due are immediately impaired.
4 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.

Ageing of past due not classified as impaired Audited

								31 December 2013
	Carrying amount		Days past due					
(in millions)	Gross	Assets not classified as impaired	< = 30	> 30 & <= 60	> 60 & <= 90	>90	Total past due but not impaired	Past due ratio
Securities financing	18,386	18,363						0.0%
Loans and receivables - banks[1]	23,967	23,967						0.0%
Loans and receivables - customers								
Residential mortgage[2]	154,024	152,285	3,444	519	145		4,108	2.7%
Consumer loans[3]	16,241	15,354	461	115	78	231	885	5.4%
Commercial loans[2]	84,330	79,292	1,426	219	140	565	2,350	2.8%
Other loans and receivables - customers[4]	7,408	7,271	31	2	1	2	36	0.5%
Total Loans and receivables - customers[1]	262,003	254,202	5,362	855	364	798	7,379	2.8%
Other assets	2,187	2,174	48	25	7	9	89	4.1%
Total	306,543	298,706	5,410	880	371	807	7,468	2.4%

1 Excluding Securities financing due to the new presentation of the balance sheet.
2 Gross carrying amount includes fair value adjustments from hedge accounting.
3 Consumer loans in the programme lending portfolio that are more than 90 days past due are immediately impaired.
4 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.

Ageing of past due not classified as impaired Audited

	Carrying amount		Days past due					31 December 2012
(in millions)	Gross	Assets not classified as impaired	< = 30	> 30 & <= 60	> 60 & <= 90	>90	Total past due but not impaired	Past due ratio
Securities financing	**28,821**	**28,797**						**0.0%**
Loans and receivables - banks[1]	**32,183**	**32,183**						**0.0%**
Loans and receivables - customers								
Residential mortgage[2]	159,035	157,531	2,957	518	169		3,644	2.3%
Consumer loans[3]	16,645	15,970	284	116	112	205	717	4.3%
Commercial loans[2]	86,727	80,441	2,766	605	190	694	4,255	4.9%
Other loans and receivables - customers[4]	5,557	5,437	10	1	1	2	14	0.3%
Total Loans and receivables - customers[1]	**267,964**	**259,379**	**6,017**	**1,240**	**472**	**901**	**8,630**	**3.2%**
Other assets	**2,564**	**2,551**	**55**				**55**	**2.1%**
Total	**331,532**	**322,910**	**6,072**	**1,240**	**472**	**901**	**8,685**	**2.6%**

1 Excluding Securities financing due to the new presentation of the balance sheet.
2 Gross carrying amount includes fair value adjustments from hedge accounting.
3 Consumer loans in the programme lending portfolio that are more than 90 days past due are immediately impaired.
4 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.

Comparing year-end 2014 with year-end 2013, the total past due decreased significantly to EUR 6.1 billion from EUR 7.4 billion in the total loans and receivables portfolio. This decrease was mainly due to a decline in the <30 day past due exposure for Commercial loans and Residential mortgages.

The decrease in past due exposures on Residential mortgages was the result of active management of the portfolio in arrears, coaching of clients that run a higher risk of getting into arrears and improved economic conditions.

Furthermore, stricter monitoring of Commercial loans and Consumer loans is reflected in a decline in the >30 day past due exposure.

Impaired exposures Audited

Coverage and impaired ratio Audited

(in millions)	Gross carrying amount	Impaired exposures	Allowances for Impairments for identified credit risk	Coverage ratio	Impaired ratio
					31 December 2014
Securities financing	**18,521**	**10**	**-10**	**100.0%**	**0.1%**
Loans and receivables - banks[1]	**21,680**				**0.0%**
Loans and receivables - customers					
Residential mortgages[2]	152,536	1,478	-408	27.6%	1.0%
Consumer loans	16,052	868	-533	61.4%	5.4%
Commercial loans[2]	86,299	4,989	-3,017	60.5%	5.8%
Other loans and receivables - customers[3]	11,783	265	-115	43.2%	2.3%
Total Loans and receivables - customers[1]	**266,670**	**7,601**	**-4,073**	**53.6%**	**2.9%**
Other assets	**1,932**	**12**	**-5**	**43.7%**	**0.6%**
Total on-balance sheet	**308,804**	**7,622**	**-4,088**	**53.6%**	**2.5%**
Total off-balance sheet	110,011	9		-0.0%	0.0%
Total[4]	**418,815**	**7,632**	**-4,089**	**53.6%**	**1.8%**

1 Excluding Securities financing due to the new presentation of the balance sheet.
2 Gross carrying amount includes fair value adjustments from hedge accounting.
3 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.
4 Amounts excluding Incurred But Not Identified (IBNI).

Coverage and impaired ratio Audited

(in millions)	Gross carrying amount	Impaired exposures	Allowances for Impairments for identified credit risk	Coverage ratio	Impaired ratio
					31 December 2013
Securities financing	18,386	23	-23	100.0%	0.1%
Loans and receivables - banks[1]	23,967				
Loans and receivables - customers					
Residential mortgages[2]	154,024	1,739	-472	27.1%	1.1%
Consumer loans	16,241	887	-512	57.7%	5.5%
Commercial loans[2, 3]	84,330	5,038	-3,237	64.3%	6.0%
Other loans and receivables - customers[4]	7,408	137	-86	62.8%	1.8%
Total Loans and receivables - customers[1]	262,003	7,801	-4,307	55.2%	3.0%
Other assets	2,187	13	-5	38.5%	0.6%
Total on-balance sheet	306,543	7,837	-4,335	55.3%	2.6%
Total off-balance sheet	101,525	8			0.0%
Total[5]	408,068	7,845	-4,335	55.3%	1.9%

1 Excluding Securities financing due to the new presentation of the balance sheet.
2 Gross carrying amount includes fair value adjustments from hedge accounting.
3 Includes releases on Madoff and Greek government-guaranteed corporate exposures.
4 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.
5 Amounts excluding Incurred But Not Identified (IBNI).

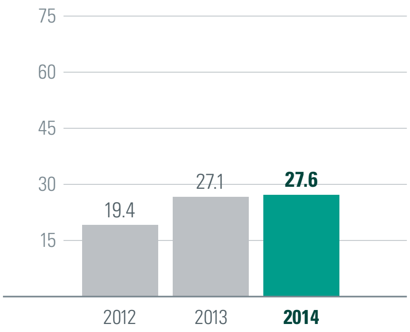
Coverage and impaired ratio Audited

(in millions)	Gross carrying amount	Impaired exposures	Allowances for Impairments for identified credit risk	Coverage ratio	Impaired ratio
					31 December 2012
Securities financing	**28,821**	**24**	**-24**	**100.0%**	**0.1%**
Loans and receivables - banks[1]	**32,183**				
Loans and receivables - customers					
Residential mortgages[2]	159,035	1,504	-292	19.4%	0.9%
Consumer loans	16,645	675	-392	58.1%	4.1%
Commercial loans[2, 3]	86,727	6,286	-4,253	67.7%	7.2%
Other loans and receivables - customers[4]	5,557	120	-85	70.8%	2.2%
Total Loans and receivables - customers[1]	**267,964**	**8,585**	**-5,022**	**58.5%**	**3.2%**
Other assets	**2,564**	**13**	**-4**	**30.8%**	**0.5%**
Total on-balance sheet	**331,532**	**8,622**	**-5,050**	**58.6%**	**2.6%**
Total off-balance sheet	106,756	7			0.0%
Total[5]	**438,288**	**8,629**	**-5,050**	**58.5%**	**2.0%**

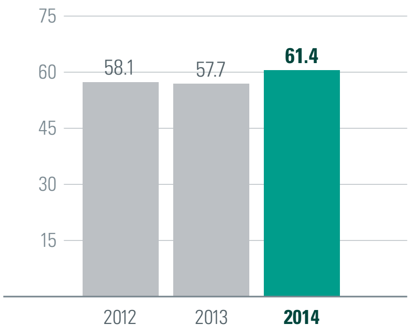
1 Excluding Securities financing due to the new presentation of the balance sheet.
2 Gross carrying amount includes fair value adjustments from hedge accounting.
3 Includes releases on Madoff and Greek government-guaranteed corporate exposures.
4 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.
5 Amounts excluding Incurred But Not Identified (IBNI).

Coverage ratio Audited

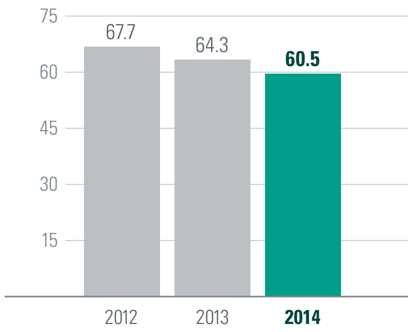
Residential mortgages (in %)



Consumer loans (in %)

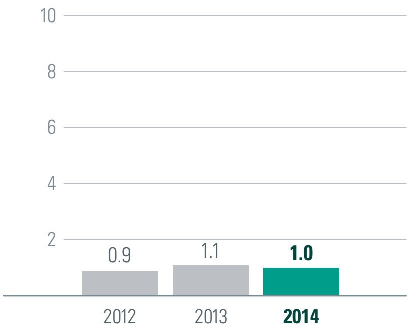


Commercial loans (in %)

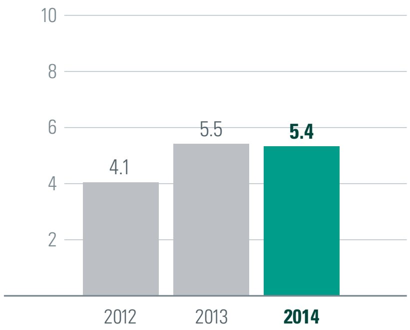


Impaired ratio Audited

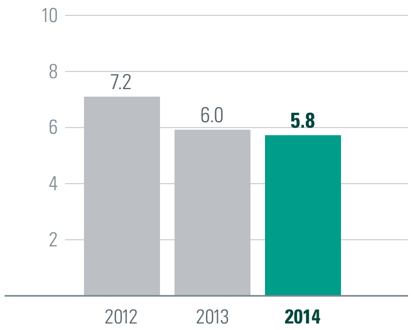
Residential mortgages (in %)



Consumer loans (in %)



Commercial loans (in %)



The coverage ratio for the on-balance sheet exposures declined to 53.6% at year-end 2014 compared with 55.3% at year-end 2013.

For Retail Mortgages the coverage ratio increased marginally to 27.6% at 31 December 2014 compared with 27.1% at 31 December 2013. Impaired exposures decreased in 2014, driven by both higher write-offs of older impaired files and transfers of clients from impaired to regular. At the same time, the Loss Emergence Period was adjusted from 4 to 6 months. On balance, this resulted in a small increase of the coverage ratio.

The coverage ratio for Consumer loans increased to 61.4% at 31 December 2014 from 57.7% at 31 December 2013. The increase in this ratio was related to a rise in allowances for impairments due to the change in the Loss Emergence Period. ABN AMRO adjusted the Loss Emergence Period to 6 months for all Programme Lending portfolios, following an own assessment triggered by the AQR results.

The coverage ratio for Commercial loans declined as a result of lower impaired exposures and, to a lesser extent, lower allowances for impairments. Both impaired exposures and the allowances for impairments were related to write-offs of matured files.

The impaired ratio declined slightly to 2.5% at year-end 2014, compared with 2.6% at year-end 2013. Marginal improvements were noted for Residential mortgages, Consumer loans and Commercial loans.

Loan impairment charges and allowances Audited

Loan impairment charges and allowances Audited Pillar 3 EDTF 28

(in millions)	Securities financing	Commercial loans	Residential mortgages	Consumer loans	Total
Balance as at 1 January 2014	**24**	**3,778**	**585**	**612**	**4,999**
Impairment charges for the period	1	1,359	436	340	2,135
Reversal of impairment allowances no longer required	-16	-583	-228	-81	-908
Recoveries of amounts previously written-off		-13	-11	-36	-60
Total impairment charges on loans and other receivables	**-15**	**763**	**197**	**223**	**1,168**
Amount recorded in interest income from unwinding of discounting		-47	-66	-11	-125
Currency translation differences	2	68			71
Amounts written-off (net)		-1,011	-196	-182	-1,389
Reserve for unearned interest accrued on impaired loans		37	39	-10	65
Other adjustments		-19	-20	22	-17
Balance as at 31 December 2014	**11**	**3,568**	**538**	**654**	**4,771**
Total reported on-balance impairment charges on loans and other receivables	**-15**	**763**	**197**	**223**	**1,168**
Greek releases					
Madoff releases					
Total underlying on-balance impairment charges on loans and other receivables	**-15**	**763**	**197**	**223**	**1,168**

Individual and collective loan impairment allowances Audited

	31 December 2014				
(in millions)	Securities financing	Commercial loans	Residential mortgages	Consumer loans	Total
Individual impairment	10	2,847	26	223	3,106
Collective impairment	1	721	512	431	1,665
Balance at 31 December 2014	**11**	**3,568**	**538**	**654**	**4,771**
Carrying amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	10	5,255	1,478	868	7,611

Loan impairment charges and allowances Audited Pillar 3 EDTF 28

(in millions)	Securities financing	Commercial loans[1]	Residential mortgages	Consumer loans	Total
Balance as at 1 January 2013	28	4,697	370	445	5,540
Impairment charges for the period		1,588	496	462	2,546
Reversal of impairment allowances no longer required	-4	-1,245	-135	-130	-1,514
Recoveries of amounts previously written off		-6	-5	-39	-50
Total impairment charges on loans and other receivables	**-4**	**337**	**356**	**293**	**982**
Amount recorded in interest income from unwinding of discounting		-30	-14	-9	-53
Currency translation differences		-32			-32
Amounts written off (net)		-1,281	-165	-152	-1,598
Reserve for unearned interest accrued on impaired loans		84	31	35	150
Other adjustments		3	7		10
Balance as at 31 December 2013	**24**	**3,778**	**585**	**612**	**4,999**
Total reported on-balance impairment charges on loans and other receivables	**-4**	**337**	**356**	**293**	**982**
Greek releases		432			432
Madoff releases		252			252
Total underlying on-balance impairment charges on loans and other receivables	**-4**	**1,021**	**356**	**293**	**1,666**

[1] Commercial loans includes a release for the Greek government-guaranteed corporate exposures and a release for the Madoff-related collateral.

Individual and collective loan impairment allowances Audited

					2013
(in millions)	Securities financing	Commercial loans	Residential mortgages	Consumer loans	Total
Individual impairment	23	2,996	78	228	3,325
Collective impairment	1	782	507	384	1,674
Balance at 31 December 2013	**24**	**3,778**	**585**	**612**	**4,999**
Carrying amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	23	5,175	1,739	887	7,824

Loan impairment charges and allowances Audited Pillar 3 EDTF 28

(in millions)	Securities financing	Commercial loans[1]	Residential mortgages	Consumer loans	Total
Balance as at 1 January 2012	26	4,895	281	344	5,546
Impairment charges for the period	7	1,055	320	343	1,725
Reversal of impairment allowances no longer required	-5	-406	-67	44	-434
Recoveries of amounts previously written off		-16	-6	-39	-61
Total impairment charges on loans and other receivables	**2**	**633**	**247**	**348**	**1,230**
Amount recorded in interest income from unwinding of discounting		-35	-4	-7	-46
Currency translation differences		-2			-2
Amounts written off (net)		-775	-185	-329	-1,289
Reserve for unearned interest accrued on impaired loans		50	31	14	95
Other adjustments		-69		75	6
Balance as at 31 December 2012	**28**	**4,697**	**370**	**445**	**5,540**
Total reported on-balance impairment charges on loans and other receivables	**2**	**633**	**247**	**348**	**1,230**
Greek releases		125			125
Madoff releases		78			78
Total underlying on-balance impairment charges on loans and other receivables	**2**	**836**	**247**	**348**	**1,433**

[1] Commercial loans includes a release for the Greek government-guaranteed corporate exposures and a a release for Madoff-related collateral.

Individual and collective loan impairment allowances Audited

					2012
(in millions)	Securities financing	Commercial loans	Residential mortgages	Consumer loans	Total
Individual impairment	24	4,055	56	191	4,326
Collective impairment	4	642	314	254	1,214
Balance at 31 December 2012	**28**	**4,697**	**370**	**445**	**5,540**
Carrying amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	24	6,406	1,504	675	8,609

Loan impairment charges on- and off-balance sheet Audited

(in millions)	2014	2013	2012
On-balance sheet	1,168	982	1,230
Off-balance sheet	3	1	-2
Total impairment charges on loans and other receivables	**1,171**	**983**	**1,228**

Underlying impairment charges decreased by 30% to EUR 1.2 billion at year-end 2014 compared with EUR 1.7 billion at year-end 2013. This decline was primarily driven by lower impairments in Commercial loans for an amount of EUR 258 million and, to a lesser extent, in the mortgage portfolio. Including special items of EUR 684 million for Greek and Madoff-related files, impairment charges increased to EUR 1.2 billion at 31 December 2014 from EUR 1.0 billion at 31 December 2013.

The decrease in impairments in the Commercial loans portfolio was mainly driven by declines in small Commercial Clients. For this portfolio, several measures were taken to increase risk awareness, acceptance criteria were tightened and files with a higher risk profile were proactively managed. However, the decrease in impairments was not visible across all industry sectors, as some sectors are struggling to adapt to structural changes, for example retail non-food, inland freight shipping and horticulture.

Impairments for Residential mortgages declined as a result of the improved Dutch housing market. In addition, we were able to successfully manage the files with long-term payment arrears, which also resulted in lower impairments.

Impairments for Consumer loans decreased from EUR 293 million at 31 December 2013 to EUR 223 million at 31 December 2014, although they are still at elevated levels. The decline was smaller than in other portfolios.

Forborne, past due and impaired loans split by geography and industry Pillar 3
Forborne, past due and impaired loans split by geography Pillar 3

31 December 2014					
(in millions)	Forborne exposure	Exposures past due, but not impaired	Impaired exposures	Allowances for impairments	Impairment charges for the period
The Netherlands	8,120	5,791	6,252	-3,074	1,036
Rest of Europe	518	449	646	-416	100
USA	17	3	60	-47	21
Asia	104	36	54	-29	-3
Rest of the world	314	87	611	-522	-3
Total On-balance	**9,074**	**6,366**	**7,622**	**-4,088**	**1,151**
Off-balance			9	-0	-0
Total[1]	**9,074**	**6,366**	**7,632**	**-4,089**	**1,151**

31 December 2013					
	Forborne exposure	Exposures past due, but not impaired	Impaired exposures	Allowances for impairments	Impairment charges for the period
The Netherlands	8,165	6,376	6,375	-3,224	1,362
Rest of Europe	648	857	672	-457	-366
USA	15	12	95	-90	-244
Asia	46	90	104	-63	52
Rest of the world	317	133	591	-501	3
Total On-balance	**9,191**	**7,468**	**7,837**	**-4,335**	**807**
Off-balance			8		
Total[1]	**9,191**	**7,468**	**7,845**	**-4,335**	**807**

1 Amounts excluding Incurred But not Identified (IBNI).

Total forborne, past due and impaired exposure decreased at year-end 2014 compared with year-end 2013.

In the Netherlands, impaired exposure and allowances for impairments in the Netherlands decreased slightly at year-end 2014 compared with year-end 2013. Impairment charges declined significantly to EUR 1.0 billion at 31 December 2014 from EUR 1.4 billion at 31 December 2013. This decline was mainly driven by small-sized Commercial Clients and, to a lesser extent, due to improvements in the Dutch Residential mortgage portfolio as a result of the improved housing market. Smaller movements were recorded in the regions outside the Netherlands.

The largest decline in forborne exposure is observed for the rest of Europe. Forborne exposure in rest of Europe declined by EUR 130 million to EUR 518 million at 31 December 2014 from EUR 648 million at 31 December 2013. Forborne exposure in Asia more than doubled, which was mainly due to the inflow of two new forborne files.

Past due exposure decreased to EUR 6.4 billion at year-end 2014 compared with EUR 7.5 billion at 31 December 2013. The main decline was recorded in the Netherlands, with a decrease of EUR 0.6 billion and to lesser extent the region rest of Europe, with a decline of EUR 0.4 billion. Decline in past due was mainly the result of active management of the portfolio in arrears, stricter monitoring of our clients and improved economic conditions.

Forborne, past due and impaired loans split by industry Pillar 3

	31 December 2014								
(in millions)	Exposure at Default	Forborne exposures	Forborne ratio (EaD)	Exposures past due, but not impaired	Past due ratio (EaD)	Impaired exposures	Impaired ratio (EaD)	Allowances for impairments for identified credit risk	Impairment charges for the period
Industry sector									
Banks	16,459		0.0%		0.0%	10	0.1%	-10	-15
Financial services[1]	9,480	127	1.3%	164	1.7%	813	8.6%	-693	-22
Industrial goods and services	18,747	1,838	9.8%	550	2.9%	1,328	7.1%	-703	289
Real estate	14,480	1,265	8.7%	234	1.6%	793	5.5%	-390	68
Oil and gas	10,529	467	4.4%	8	0.1%	119	1.1%	-76	27
Food and beverage	10,910	918	8.4%	400	3.7%	544	5.0%	-245	59
Retail	4,418	633	14.3%	184	4.2%	630	14.3%	-355	172
Basic resources	4,005	132	3.3%	37	0.9%	212	5.3%	-152	38
Healthcare	5,276	405	7.7%	16	0.3%	65	1.2%	-39	6
Construction and materials	2,922	448	15.3%	73	2.5%	371	12.7%	-254	43
Other[2]	23,915	614	2.6%	417	1.7%	422	1.8%	-255	77
Subtotal Industry Classification Benchmark	**121,141**	**6,845**	**5.7%**	**2,084**	**1.7%**	**5,308**	**4.4%**	**-3,170**	**742**
Private individuals (non-Industry Classification Benchmark)	186,704	2,211	1.2%	4,282	2.3%	2,324	1.2%	-918	409
Public administration (non-Industry Classification Benchmark)	37,239	18	0.0%		0.0%		0.0%	-0	
Subtotal non-Industry Classification Benchmark	**223,943**	**2,228**	**1.0%**	**4,282**	**1.9%**	**2,324**	**1.0%**	**-918**	**409**
Total[3, 4]	**345,084**	**9,074**	**2.6%**	**6,366**	**1.8%**	**7,632**	**2.2%**	**-4,089**	**1,151**

1 Financial services include asset managers, credit card companies and providers of personal financial services and securities and brokers.
2 Other includes, personal and household goods, media, technology, automobiles and parts, chemicals, telecommunication and insurance, in addition to unclassified.
3 Amounts excluding Incurred But Not Identified (IBNI).
4 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

Forborne, past due and impaired loans split by industry Pillar 3

(in millions)	Exposure at Default	Forborne exposures	Forborne ratio (EAD)	Exposures past due, but not impaired	Past due ratio (EAD)	Impaired exposures	Impaired ratio (EAD)	Allowances for impairments for identified credit risk	Impairment charges for the year
	31 December 2013								
Industry sector									
Banks	16,990		0.0%		0.0%	23	0.1%	-23	-1
Financial services[1]	7,935	105	1.3%	110	1.4%	720	9.1%	-674	-149
Industrial goods and services	18,024	2,018	11.2%	414	2.3%	1,374	7.6%	-721	-104
Real estate	14,068	1,231	8.8%	442	3.1%	819	5.8%	-520	119
Oil and gas	7,581	357	4.7%	224	3.0%	105	1.4%	-104	26
Food and beverage	8,575	888	10.4%	392	4.6%	421	4.9%	-250	94
Retail	7,302	596	8.2%	235	3.2%	517	7.1%	-292	144
Basic resources	4,498	189	4.2%	185	4.1%	208	4.6%	-121	7
Healthcare	4,221	116	2.7%	21	0.5%	48	1.1%	-25	11
Construction and materials	3,196	344	10.8%	116	3.6%	381	11.9%	-271	76
Other[2]	45,831	850	1.9%	343	0.7%	652	1.4%	-413	18
Subtotal Industry Classification Benchmark	**138,221**	**6,694**	**4.8%**	**2,482**	**1.8%**	**5,268**	**3.8%**	**-3,414**	**241**
Private individuals (non-Industry Classification Benchmark)	181,011	2,482	1.4%	4,986	2.8%	2,577	1.4%	-921	566
Public administration (non-Industry Classification Benchmark)	21,301	15	0.1%		0.0%		0.0%		
Subtotal non-Industry Classification Benchmark	**202,312**	**2,497**	**1.2%**	**4,986**	**2.5%**	**2,577**	**1.3%**	**-921**	**566**
Total[3, 4]	**340,533**	**9,191**	**2.7%**	**7,468**	**2.2%**	**7,845**	**2.3%**	**-4,335**	**807**

1 Financial services include asset managers, credit card companies and providers of personal financial services and securities and brokers.
2 Other includes, personal and household goods, media, technology, automobiles and parts, chemicals, telecommunication and insurance, in addition to unclassified.
3 Amounts excluding Incurred But Not Identified (IBNI).
4 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

Forborne, past due and impaired loans split by industry Pillar 3

								31 December 2012	
(in millions)	Exposure at Default	Forborne exposures	Forborne ratio (EAD)	Exposures past due, but not impaired	Past due ratio (EAD)	Impaired exposures	Impaired ratio (EAD)	Allowances for impairments for identified credit risk	Impairment charges for the year
Industry sector									
Banks	14,597		0.0%		0.0%	24	0.2%	-24	
Financial services[1]	10,136	81	0.8%	198	2.0%	1,237	12.2%	-1,101	-5
Industrial goods and services	18,599	1,540	8.3%	908	4.9%	2,275	12.2%	-1,422	12
Real estate	14,688	1,066	7.3%	664	4.5%	696	4.7%	-458	308
Oil and gas	8,349	19	0.2%	178	2.1%	106	1.3%	-106	5
Food and beverage	9,093	596	6.6%	878	9.7%	401	4.4%	-203	41
Retail	7,712	440	5.7%	360	4.7%	415	5.4%	-231	67
Basic resources	4,445	112	2.5%	92	2.1%	259	5.8%	-215	129
Healthcare	4,514	110	2.4%	165	3.7%	43	1.0%	-19	10
Construction and materials	3,806	246	6.5%	124	3.3%	360	9.5%	-247	73
Other[2]	43,442	520	1.2%	918	2.1%	661	1.5%	-354	89
Subtotal Industry Classification Benchmark	**139,381**	**4,730**	**3.4%**	**4,485**	**3.2%**	**6,477**	**4.6%**	**-4,380**	**729**
Private individuals (non-Industry Classification Benchmark)	182,285	1,853	1.0%	4,108	2.3%	2,095	1.1%	-617	356
Public administration (non-Industry Classification Benchmark)	31,210	89	0.3%	92	0.3%	57	0.2%	-53	24
Subtotal non-Industry Classification Benchmark	**213,495**	**1,942**	**0.9%**	**4,200**	**2.0%**	**2,152**	**1.0%**	**-670**	**380**
Total[3, 4]	**352,876**	**6,672**	**1.9%**	**8,685**	**2.5%**	**8,629**	**2.4%**	**-5,050**	**1,109**

1 Financial services include asset managers, credit card companies and providers of personal financial services and securities and brokers.
2 Other includes, personal and household goods, media, technology, automobiles and parts, chemicals, telecommunication and insurance, in addition to unclassified.
3 Amounts excluding Incurred But Not Identified (IBNI).
4 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

Total forborne exposures decreased by EUR 117 million to EUR 9.1 billion at year-end 2014 from EUR 9.2 billion at year-end 2013. The main contributors to this reduction were the industry sectors industrial goods and services and private individuals (Non-ICB). This decrease in forborne exposure was partly offset by an increase in forborne exposure in the industry sector healthcare, which mainly reflects the inflow of one new forborne client.

Total impaired credit risk exposures, total allowances for impairments and impairment charges for the period changed slightly at year-end 2014 compared with year-end 2013. Concentration of the total impaired portfolio towards the Industrial goods and services industry decreased as a result of a combination of write-offs, releases and newly impaired clients. There were increases for existing impaired loans in the inland freight shipping industry. At the same time, there were write-offs for transport and logistics and a number of smaller exposures in the inland freight shipping industry. Following the development in the restructuring process, a material release was realised in this portfolio.

In the industry sector real estate write-offs were reported for fully provisioned files. At the same time, there was some inflow into the impaired real estate exposures.

The level of impairments as well as the size of the impaired portflio for clients active in the retail industry increased in 2014. Impairment charges were registered for new impaired files.

Developments in specific portfolios

The following section provides a more detailed overview of the developments in specific portfolios and products.

Residential mortgages

The housing market showed a strong recovery in 2014. The housing price index of Statistics Netherlands (CBS) increased by nearly 1%. According to CBS, the number of houses sold was up by more than 39% compared with 2013. The strong recovery in the Dutch housing market was supported by fiscal incentives, of which the elevated gift tax exemption had the most visible effect in the fourth quarter of 2014.

In 2014, the Dutch government further constrained the capacity to borrow. The maximum amount for government-guaranteed loans (NHG) was reduced from EUR 290,000 to EUR 265,000 at 1 July 2014 and will be further reduced to ultimately EUR 225,000 in 2016, which is considered to be the average house price. NHG introduced new conditions on 1 January 2014 that make it possible to refinance residual debt (on existing NHG loans). At the same time, an own risk for mortgage lenders of 10% was introduced for new NHG loans.

The government will further restrict home financing by reducing the maximum Loan-to-Market Value (LtMV) of a mortgage loan from 104% in 2014 to 100% in 2018. Since 2013, new mortgages must be redeemed fully (100%) during the term of the loan based on an annuity or linear scheme in order to be eligible for tax deductibility. Mortgage loans that existed at 31 December 2012 are not impacted by this new legislation.

For all mortgage loans, new and existing, tax deductibility will be gradually reduced in the next 27 years from a maximum of 52% to 38%. In 2015, the maximum bracket for deduction interest will be lowered to 51.0% (2014: 51.5%). So far the housing market has been able to absorb the restrictions.

The Dutch housing market showed a strong improvement and measures taken have been effective. However, further developments are contingent upon how the Dutch economic climate develops. ABN AMRO's new mortgage production volume in 2014 was EUR 8.7 billion, considerably higher than EUR 6.4 billion for the previous year. The NHG part of new production was 50% in 2014 (2013: 46%).

Contractual repayments are gradually starting to grow, reflecting the new fiscal regime. Redemptions rose due to house sales or refinancing. Redemptions also rose in the higher LtMV classes.

Extra repayments grew by 18% to EUR 2.7 billion, a historically high amount. A high amount of EUR 0.6 billion was recorded especially in December 2014. This month traditionally shows higher redemptions than the rest of the year. For 2014, significantly higher extra repayments can be explained by termination of the elevated gift tax exemption combined with our clients' desire to make extra repayments due to low savings interest rates and greater awareness among homeowners of the possibility of residual debt.

Residential mortgage indicators

(in millions)	31 December 2014	31 December 2013
Gross carrying amount	148,402	150,493
- of which Nationale Hypotheek Garantie (NHG)	37,540	35,603
Fair value adjustment from hedge accounting	4,134	3,531
Gross carrying amount including fair value adjustment from hedge accounting	152,536	154,024
Exposure at Default[1]	160,291	160,165
Risk exposure amount[1]	22,062	19,823
Total risk exposure amount/Exposure at Default	13.8%	12.4%
Forbearance ratio	1.2%	1.6%
Past due but not impaired	3,639	4,108
Past due ratio	2.4%	2.7%
Total risk mitigation	210,925	213,640
Average LtMV	83%	84%
Average LtMV - excluding NHG	79%	80%
Coverage ratio	27.6%	27.1%
Impaired ratio	1.0%	1.1%

[1] 2013 figures are reported under Basel II and 2014 figures are reported using the Basel III (CRD IV/CRR) framework. Under Basel III 2013 pro-forma figures are: EAD EUR 157,902 million; REA EUR 18,840 million.

The gross carrying amount of the Residential mortgage portfolio decreased by EUR 1.5 billion to EUR 152.5 billion at 31 December 2014 from EUR 154.0 billion at 31 December 2013. This decline was caused by high redemptions that exceeded new production volume. 25% of the mortgage portfolio consists of NHG-guaranteed loans.

The Exposure at Default remained faily stable at EUR 160.3 billion compared with year-end 2013. REA increased by EUR 2.2 billion, mainly as a result of a review and refinement of the risk parameters used for the residential mortgage portfolio, resulting in an increase of EUR 2.0 billion. The review and refinement was related to the method of calculating the Loss Given Default (LGD) for a part of the residential mortgage portfolio. A more conservative internal data source for loss data is being used, in which realised losses are recognised earlier. This has resulted in a higher LGD and an increase of REA. This way of loss recognition is in line with the leading loss administration for residential mortgages. The remaining increase of EUR 0.2 billion consists of several minor movements.

The forbearance ratio declined to 1.2% at 31 December 2014, compared with 1.6% at 31 December 2013. This decline was mainly the result of refined assumptions with regard to forborne loans.

The number of clients that went into arrears was significantly lower and more clients were able to recover from arrears. The mortgage portfolio in arrears (past due up to 90 days) decreased to EUR 3.6 billion at 31 December 2014 from EUR 4.1 billion at 31 December 2013. This is the result of a combination of active management of the portfolio in arrears, coaching of clients that run a higher risk of getting into arrears and improved economic conditions.

The coverage ratio of the Residential mortgage portfolio rose slightly to 27.6% at 31 December 2014 from 27.1% at 31 December 2013. This increase was mainly the result of decreased impaired exposures driven by both higher write-offs of older impaired files and transfers of clients from impaired to regular. At the same time, the Loss Emergence Period was adjusted from 4 to 6 months. On balance, this resulted in a small increase of the coverage ratio.

The impaired ratio improved slightly to 1.0% at 31 December 2014 from 1.1% at 31 December 2013.

The increase in the residential property value of mortgages and extra repayments on mortgage loans resulted in a decrease in the average LtMV of the mortgage portfolio to 83% at 31 December 2014 from 84% at December 2013. Excluding NHG, the average LtMV decreased to 79% from 80% in 2014.

Breakdown of residential mortgage portfolio by loan type

	31 December 2014		31 December 2013	
(in millions)	Gross carrying amount	Percentage of total	Gross carrying amount	Percentage of total
Interest only (partially)	48,936	33%	50,521	34%
Interest only (100%)	34,081	23%	36,387	24%
Redeeming mortgages (annuity/linear)	11,956	8%	7,020	5%
Savings	23,243	16%	24,674	16%
Life (investment)	20,279	14%	22,248	15%
Other[1]	9,908	7%	9,643	6%
Total	**148,402**	**100%**	**150,493**	**100%**

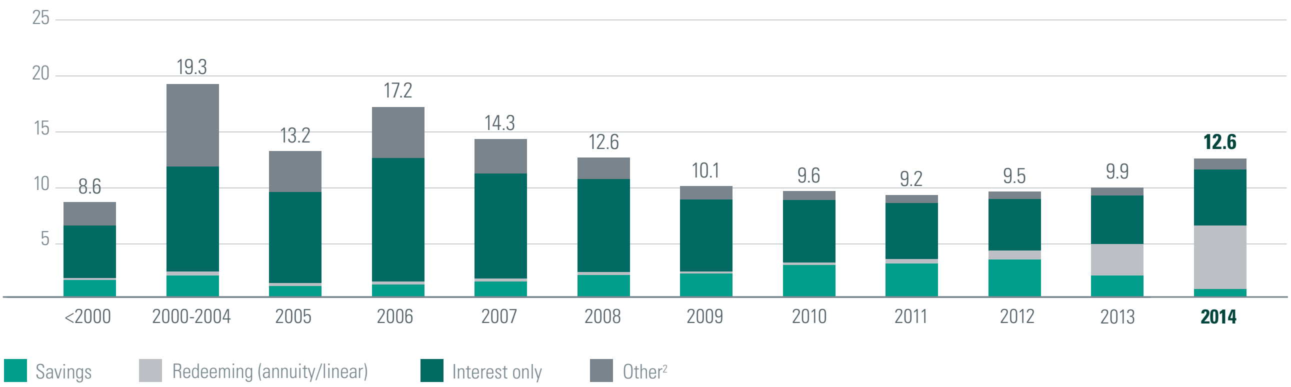
[1] Other includes hybrid, other and unclassified mortgage types. The hybrid portfolio consists of a combination of savings and investment mortgages.

The breakdown of the Residential mortgage portfolio is starting to reflect the impact of the adjusted fiscal regime. Interest-only mortgages decreased to 56% at year-end 2014 compared with 58% at year-end 2013. Redeeming mortgages increased to 8% of the mortgage portfolio at year-end 2014, up from 5% at year-end 2013.

The risk profile of our mortgage portfolio has remained low in recent years and improved further in 2014. This is evidenced by the relatively low impairments over the average loan book in 2014. The long-term LtMV of the bank's portfolio is expected to further decrease as a result of the regulatory reduction of the maximum LtMV on a mortgage loan. Furthermore, fewer customers are expected to face residual debt.

Breakdown of residential mortgage portfolio by year of last modification[1]

(in billions)



[1] Includes the new mortgage production and all mortgages with a modification date.
[2] Other includes universal life, life investment, hybrid, other and unclassified mortgage types. The hybrid portfolio consists of a combination of savings and investment mortgages.

Historically, residential mortgages in the Netherlands have been composed of different types of mortgages, e.g. a combination of interest-only and savings mortgages. Under the present fiscal regime, new mortgages need to be 100% redeemable in order to be eligible for tax deduction. As a result, new production consists mainly of redemption mortgages. This has led to a gradual shift of the mortgage portfolio to safer redemption types.

Residential mortgages to indexed market value

(in millions)	Gross carrying amount	Percentage of total	- of which Guaranteed	- of which Unguaranteed
				31 December 2014
Loan-to-Market Value category[1]				
<50%	23,707	16.0%	1.7%	14.3%
50% - 80%	36,927	24.9%	4.2%	20.7%
80% - 90%	16,488	11.1%	2.8%	8.3%
90% - 100%	20,396	13.7%	4.5%	9.2%
100% - 110%	21,455	14.5%	5.8%	8.7%
>110%	27,165	18.3%	6.3%	12.0%
Unclassified	2,264	1.5%		
Total	**148,402**	**100%**		
				31 December 2013
<50%	23,726	15.8%	1.6%	14.2%
50% - 80%	36,175	24.0%	3.7%	20.3%
80% - 90%	15,583	10.3%	2.4%	8.0%
90% - 100%	18,842	12.5%	3.3%	9.2%
100% - 110%	21,346	14.2%	5.0%	9.2%
>110%	32,598	21.7%	7.7%	14.0%
Unclassified	2,223	1.5%		
Total	**150,493**	**100%**		

[1] Loan-to-Market Value is calculated using the indexation of the CBS (Central Bureau of Statistics).

The increase in the residential property value of mortgages and repayments on mortgage loans with a high LtMV resulted in a decrease in the average LtMV. The number of clients with an indexed LtMV higher than 100% decreased to 32.8% at 31 December 2014 from 35.9% at 31 December 2013. However, LtMVs of more than 100% are not necessarily an indicator that the clients in question are having financial difficulties.

The gross carrying amount of mortgages with an LtMV above 110% decreased to EUR 27.2 billion at 31 December 2014, a decline of EUR 5.4 billion compared with 31 December 2013. The main reasons for these declines were redemptions and extra repayments, which were partly in the LtMV category >110%, together with higher indexed market values that had a positive influence on all LtMV categories. There was no new inflow into the highest LtMV categories because new production had a maximum LtMV of 104%.

Residential mortgages to indexed market value for 100% interest-only

	31 December 2014 Percentage of total	31 December 2013 Percentage of total
Loan-to-Market Value category[1]		
<50%	9%	9%
50% - 70%	7%	7%
70% - 100%	6%	6%
>100%	1%	2%
Total[2]	**23%**	**24%**

[1] Loan-to-Market Value is calculated using the indexation of the CBS (Statistics Netherlands).
[2] Percentages of the total mortgage portfolio.

The table above shows the breakdown of the LtMV for the 100% interest-only mortgage portfolio. There were fewer clients with interest-only (100%) mortgages. Of the 100% interest-only mortgage portfolio, 1.2% had an LtMV above 100% at 31 December 2014 (31 December 2013: 1.6%). This is a very small part of the total mortgage portfolio. The percentage decreased as a result of higher collateral values, the production in low LtMV classes and also because of voluntary repayments in this category.

Consumer loans

The Consumer loans portfolio (excluding residential mortgages) includes current account-related products, revolving and non-revolving credit facilities and credit cards. Consumer loans are predominantly sold within Retail Banking and Private Banking. This also includes the private labels Alfam and MoneYou for personal loans and International Card Services (ICS) for credit cards.

Consumer loans indicators

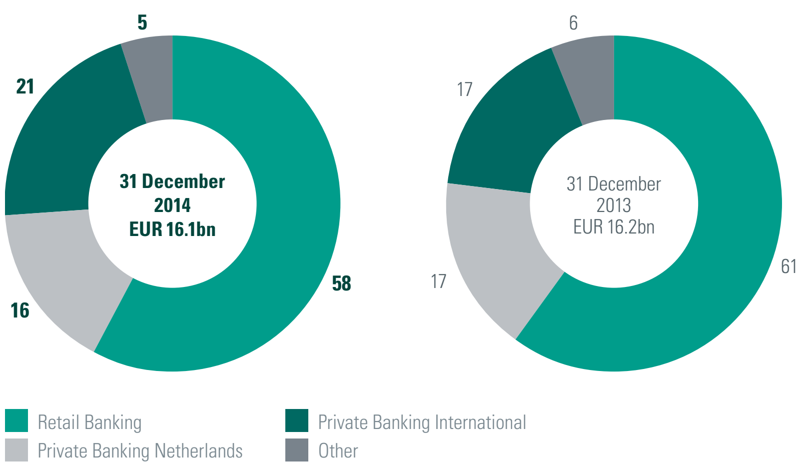
(in millions)	31 December 2014	31 December 2013
Gross carrying amount	16,052	16,241
Forbearance ratio	2.9%	2.1%
Past due but not impaired	633	885
Past due ratio	3.9%	5.4%
Coverage ratio	61.4%	57.7%
Impaired ratio	5.4%	5.5%
Total risk mitigation	9,807	7,955

The carrying amount for Consumer loans remained relatively stable at year-end 2014 compared with year-end 2013. Consumer loans represent around 6% of the total loans and receivables portfolio. The total forborne ratio of Consumer loans increased by 0.8% to 2.9% at 31 December 2014 compared with 2.1% at year-end 2013, due to inflow of new forborne clients.

The past due but not impaired part of the Consumer portfolio decreased to 3.9% at 31 December 2014 compared with 5.4% at 31 December 2013. This large decline was driven by the proactive recession management programme, which was designed to prevent payment problems for clients.

The coverage ratio for the Consumer loans portfolio increased to 61.4% at 31 December 2014, compared with 57.7% at 31 December 2013. The increase was due to the change in Loss Emergence Period. ABN AMRO adjusted the Loss Emergence Period to 6 months for all Programme Lending portfolios, following own assessment triggered by the AQR results.

Consumer loans breakdown
(in %)



Commercial loans

Commercial loans indicators

The Commercial loan portfolio grew to EUR 86.3 billion at 31 December 2014, compared with EUR 84.3 billion at 31 December 2013. The main development in this portfolio was an increase in the ECT Clients portfolio.

The forbearance ratio increased to 7.8% at 31 December 2014, compared with 7.4% at 31 December 2013, due to the inflow of new forborne clients.

The total past due exposure on Commercial loans is trending down as a result of stricter monitoring of our clients.

Real estate

The Dutch property market improved in 2014 due to high demand from investors. This demand resulted in an increase in investment volume as at year-end to the highest level since 2007. Investor demand focused on large portfolios of residential assets that were sold by housing corporations, in contrast to previous years when investor demand focused on prime assets (retail and offices). Investors were willing to buy non-prime assets, creating a great deal of liquidity in the Dutch market. However, demand from users remained subdued as the vacancy rate in retail continued to grow and the vacancy rate in the office segment remained at a structurally high level. Logistical real estate profited from an increase in demand as trade picked up.

ABN AMRO's real estate portfolio has relatively low Loan-to-Values. Loans are based almost exclusively on Dutch property. The loan portfolio consists mainly of investment loans diversified across different asset types. Exposures to office investments as well as land banks are limited. Real estate loans may include additional collateral, e.g. parent company guarantees.

At 31 December 2014, EAD of ABN AMRO's real estate financing as shown in the industry concentration table, according to the ICB Industry code real estate, amounted to EUR 14.5 billion (31 December 2013: EUR 14.1 billion).

Exposures to social housing corporations are included in the real estate exposure for an amount of EUR 4.7 billion, of which EUR 3.2 billion guaranteed by the *Waarborgfonds Sociale Woningbouw* (WSW, a state agency). WSW provides guarantees to lenders granting loans to housing associations for social housing projects and other properties with a social or public function.

The impaired exposure on real estate amounted to EUR 793 million at 31 December 2014. Specific loan impairment charges amounted to EUR 68 million in 2014 and were predominantly taken in the area of office investment. The coverage ratio for real estate was 49% at 31 December 2014 (31 December 2013: 63%).

Commercial Real Estate

Commercial Real Estate (CRE) is defined as 'land or property owned by project developers or investors with the purpose to develop, to trade or to rent the land or property. The credit quality of the counterparty depends on real estate-generating cash flows and income-producing real estate.'

Although largely overlapping, the real estate Industry Classification Benchmark (ICB) categorisation is not equal to Commercial Real Estate. The main differences between real estate and CRE are:

- social housing corporations are not included in CRE;
- corporate unsecured real estate financing is not included in CRE;
- private individual exposures are not included in real estate.

CRE is mainly originated by the businesses Corporate Banking and, to a lesser extent, Retail Banking and Private Banking:

- Corporate-based real estate CRE exposures consist of corporate lending to listed and non-listed institutional real estate investment companies, mainly active in residential and retail assets. In general, real estate collateral is not provided. The client risk is assessed based on overall corporate performance. The risk profile is generally investment grade;
- Asset-based real estate consists of asset-based lending to real estate investment and/or development companies, with fully secured senior loans and, generally, non-recourse. The risk profile materially depends on the credit quality of the client/underlying asset(s). The corporate-based real estate and asset-based real estate portfolios are managed by a dedicated department in;
- CRE exposures to small and medium-sized companies consists of loans collateralised by the underlying real estate asset(s). The risk profile materially depends on the credit quality of the parent and/or debtor;

- Private Banking exposure involves clients that invest in real estate, mainly for investment purposes both in Dutch property and, to a smaller extent, property outside of the Netherlands in countries where ABN AMRO is present. The Private Banking risk profile builds on a combination of the quality of the asset, the credit structure and the underlying credit quality of the wealthy private individual.

The ECB performed a detailed review of commercial real estate in 2014 during the Asset Quality Review. The outcome of the review, which focused on the adequacy of impairment allowances and REA for CRE, was positive and confirmed that both were adequate.

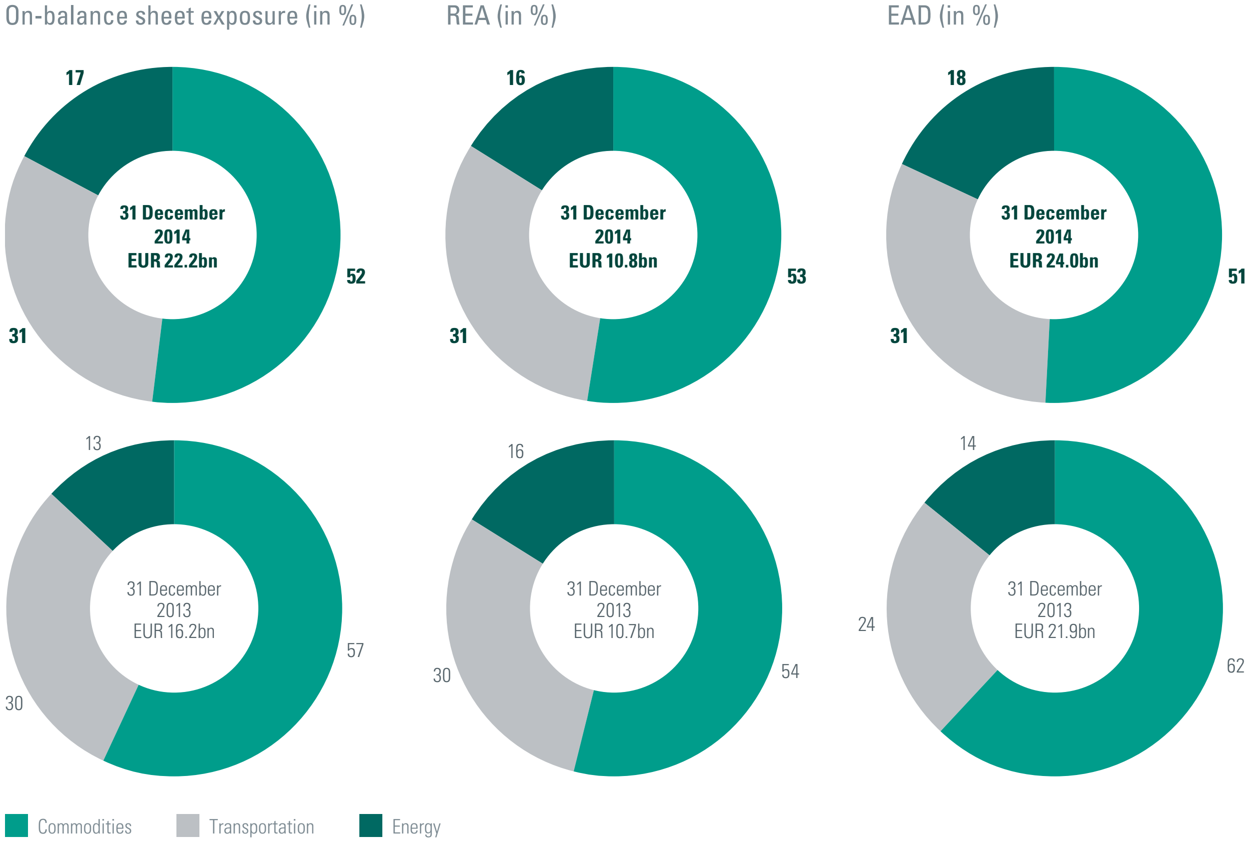
Energy, Commodities & Transportation Clients (ECT)

ABN AMRO has long-standing experience with financing in the energy, commodities and transportation sectors and provides financial solutions and support to clients across the entire value chain of the ECT industries. ABN AMRO's ECT Clients business benefits from in-depth sector knowledge and an active approach to risk and portfolio management that is embedded in all steps of the credit process. This approach has resulted in a portfolio characterised by low losses over the years. ABN AMRO maintains a controlled growth strategy for ECT Clients that is focused on monitoring and managing the credit risk profile of the portfolio in line with respective market sentiment and trends.

The Energy Clients portfolio consists of a diversified client base in the US upstream and midstream oil and gas sectors and worldwide off-shore services industries, typically characterised by long-term contracts with large oil companies. The Commodities Clients portfolio includes mainly short-term financing to companies active in the worldwide trade, processing and distribution of agricultural commodities (e.g. grains, coffee, cacao), energy commodities (i.e. oil and gas products) and metal commodities, such as iron ore and steel. The Transportation Clients portfolio is diversified in terms of segments with tankers, dry/wet bulk and container carriers. The main focus is on the deep sea shipping industry (in particular modern, economical ships) and the container box industry. The majority of the portfolio has been originated as from 2008, in a period when asset values were relatively low.

Loan impairment charges for ECT Clients as a whole amounted to EUR 54 million in 2014 (2013: EUR 41 million). Specific loan impairment charges were mainly incurred in Commodities and were relatively limited for Energy Clients and Transportation Clients. The cost of risk over 2014, expressed as annualised impairment charges for the period over the on-balance sheet outstanding amount, remained stable at 24bps (2013: 25bps).

ECT clients portfolio composition



The ECT Clients total loan portfolio is mainly USD denominated and amounted to an equivalent of EUR 22.2 billion in on-balance sheet exposure at 31 December 2014 (31 December 2013: EUR 16.2 billion). In line with the strategy to grow, the on-balance sheet business volume grew by EUR 6.0 billion, supported by the 14% appreciation of the US dollar over 2014. Growth was also realised in the off-balance sheet exposure, mainly consisting of guarantees and short-term letters of credit secured by commodities. Including the committed credit lines, the exposure amounted to EUR 12.8 billion at 31 December 2014 (31 December 2013: EUR 12.2 billion). In addition, uncommitted commodity trade finance facilities grew to EUR 21.2 billion at 31 December 2014 (31 December 2013: 16.7 billion).

In terms of on-balance sheet composition over the different ECT sectors, the share of Energy Clients increased and Transportation Clients increased slightly. Commodities Clients remains the largest sector and made up 52% of the ECT Clients loan portfolio, while the remainder comprised loans to Transportation Clients (31%) and Energy Clients (17%). The Principal Finance activities were transferred to the Equity Participations business as from 2014 and are therefore no longer included in the ECT Clients portfolio.

ABN AMRO Clearing

ABN AMRO Clearing is a large service provider in the global securities servicing industry. It caters predominantly to so-called professional trading participants such as market makers, liquidity providers, corporations that need to hedge price risk on futures markets, retail aggregators and financial institutions. The services that are provided include electronic execution, clearing, settlement, custody and asset servicing, securities borrowing and lending and inventory or margin financing. Third-party clearing (guaranteeing the performance of its clients to the Central Clearing Houses around the world) is the core service offering.

Sound risk management is a cornerstone in the ABN AMRO Clearing business model. Risk centres are operated in every time zone, and these local risk centres are supported and governed by various risk functions at the head office in Amsterdam. The local risk management staff monitors client activity on a daily and intraday basis to ensure that all clients remain within the risk parameters and limits that are approved by the bank's risk committees.

All client exposure is fully collateralised. For the potential exposures that result from client portfolios, clients need to deposit collateral with ABN AMRO Clearing which is re-assessed on a daily basis. These so-called margin requirements are based both on realised changes in the value of the client portfolios and on potential changes based on very conservative scenario analyses and stress tests that are conducted on a daily and intraday basis.

Due to the nature of ABN AMRO Clearing's activities, its financial assets and liabilities are generally of a short-term nature. ABN AMRO Clearing devotes a great deal of attention to the operational risk component of its business model. Dedicated staff members constantly monitor the operational risk profile of the global firm by keeping track of up-to-date operating procedures, potential operational losses, proper follow-up of audit points, security management, business continuity testing, etc.

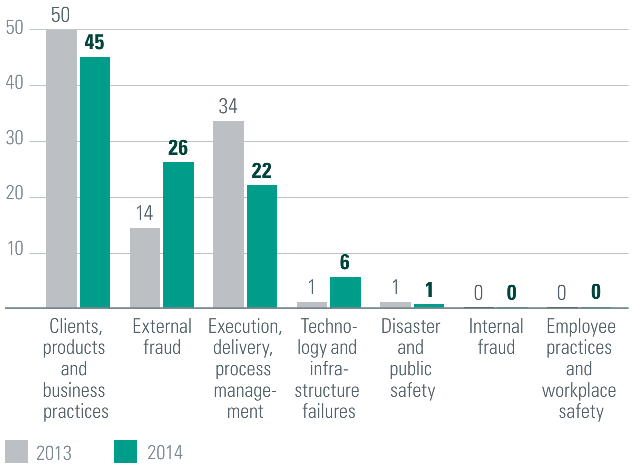
The strong focus on all risk types has resulted in a very favourable track record, i.e. ABN AMRO Clearing has not suffered significant losses over the past few years. In 2014, the total credit loss was around 0.25bps on the total outstanding credit limits of EUR 27.1 billion.

Operational risk EDTF 31

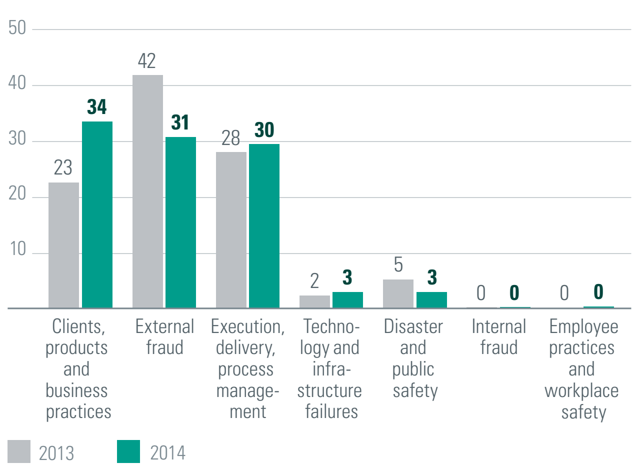
Operational risk by risk type

Operational losses by event category

% of total loss amount



% of total number of losses



Three event categories dominate the operational losses of ABN AMRO, as shown in the graphs above, which depict the relative portion of each category. In absolute amounts, losses in each of these three categories decreased significantly in 2014. The downward trend in the number of losses due to gas attacks, skimming, malware and phishing continued. This resulted in a decrease in the loss amount of external fraud. However, the decrease in loss amounts in the other two dominant event categories was stronger, and therefore the relative portion of external fraud has grown.

Cybercrime

ABN AMRO is faced with the constant threat of cybercrime by organised crime groups, activists and/or ill-intentioned employees. We therefore continuously monitor the cybercrime threat and adjust the bank's defences where necessary. In 2014, the volume of phishing, malware and card theft attacks remained substantial. The bank's security controls were further strengthened throughout the year, resulting in very low losses despite this persistent volume of attacks, and our customers did not experience any decrease in service availability due to cybercrime.

Business continuity

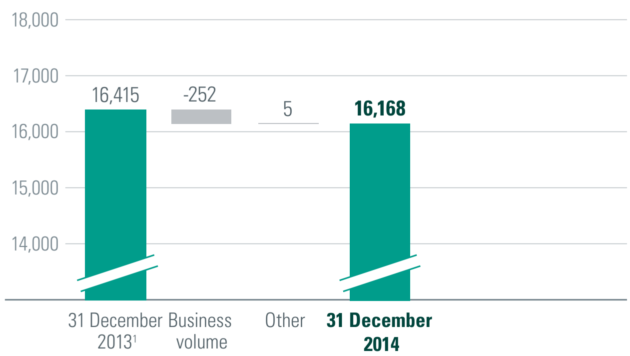
For incidents/crises threatening the continuity of critical business processes, business continuity mitigation controls are in place such as crisis management, business relocation plans and IT disaster recovery plans. During 2014, ABN AMRO's crisis management organisation proved to be stable and able to respond to incidents and crises – mainly IT outages – in order to assure recovery of these business processes within an acceptable timeframe.

Regulatory capital Pillar 3

The bank's own funds for operational risks in 2014 were calculated based on the Standardised Approach (TSA). Under the TSA, gross income figures are mapped to a set of prescribed Basel II business lines such as Retail, Payments and Trading & Sales. Depending on the business line, a percentage (predefined by the directives) is applied for calculating capital for that business line. The TSA capital for the bank is the sum of the TSA capital for each business line.

REA flow statement operational risk EDTF 16

(in millions)



[1] No REA impact from CRR/CRD IV on operational risk.

Market risk

ABN AMRO is exposed to market risk in its trading book and banking book. The following table represents the market risk factors to which the different assets and liabilities of the balance sheet are sensitive.

Total market risk exposure

Market risk exposure traded and non-traded risk EDTF 22

	31 December 2014			31 December 2013			
	Carrying amount	Market risk measure		Carrying amount	Market risk measure		Primary risk sensitivity
(in millions)		Traded risk	Non-traded risk		Traded risk	Non-traded risk	
Assets subject to market risk							
Cash and balances at central banks	706		706	9,523		9,523	Interest rate
Financial assets held for trading	9,017	9,017		12,019	12,019		Interest rate/equity/FX/ commodities/credit spread
Derivatives	25,285	19,730	5,555	14,271	11,848	2,423	Interest rate/equity/FX/ commodities/credit spread
Financial investments	41,466		41,466	28,111		28,111	Interest rate/FX/credit spread
Securities financing	18,511		18,511	18,362		18,362	Interest rate/FX
Loans and receivables - banks	21,680		21,680	23,967		23,967	Interest rate/FX
Loans and receivables - customers	261,910		261,910	257,028		257,028	Interest rate/FX
Other assets	8,292		8,292	8,741		8,741	
Total assets	**386,867**	**28,746**	**358,121**	**372,022**	**23,867**	**348,155**	
Liabilities subject to market risk							
Financial liabilities held for trading	3,759	3,759		4,399	4,399		Interest rate/equity/FX/ commodities/credit spread
Derivatives	30,449	18,203	12,246	17,227	9,849	7,378	Interest rate/equity/FX/ commodities/credit spread
Securities financing	13,918		13,918	12,266		12,266	Interest rate/FX
Due to banks	15,744		15,744	11,626		11,626	Interest rate/FX
Due to customers	216,011		216,011	207,584		207,584	Interest rate/FX
Issued debt	77,131		77,131	88,682		88,682	Interest rate/FX
Subordinated liabilities	8,328		8,328	7,917		7,917	Interest rate
Other liabilities	6,652		6,652	8,753		8,753	
Total liabilities	**371,990**	**21,962**	**350,028**	**358,454**	**14,248**	**344,206**	
Equity	14,877		14,877	13,568		13,568	
Total liabilities and equity	**386,867**	**21,962**	**364,905**	**372,022**	**14,248**	**357,774**	

Activities in the trading book are sensitive to multiple risk factors. As stated in the paragraphs on market risk in the trading book, the overall sensitivity to these risk factors is carefully managed to remain within the risk appetite of the bank. Most assets and liabilities in the banking book are to a large extent sensitive to interest rate risk. Some of the assets and liabilities are also sensitive to FX risk; however, ABN AMRO minimises this risk through hedging.

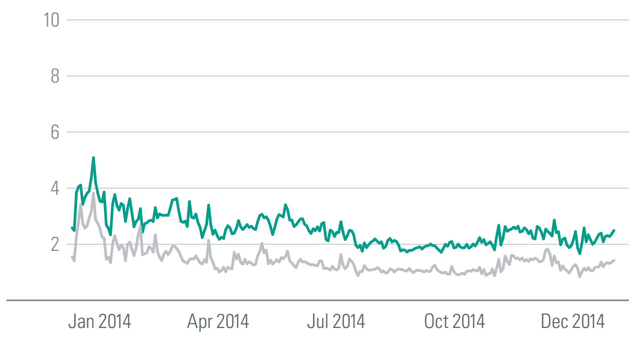
Market risk in the trading book

Market risk exposure EDTF 23

The graph below shows the total VaR ('VaR diversified') as well as aggregation of the stand-alone risk factors ('VaR undiversified').

ABN AMRO applies a diversified portfolio VaR approach. This approach takes into account that returns across risk factors may offset one another to a certain extent and consequently reduce risk. As long as those returns are not perfectly correlated to one another, VaR figures based on a diversified portfolio approach will be lower compared with the figures when using undiversified VaR. Undiversified VaR means that the VaR figures computed for the different risk factors are summed up without taking into account any offset across risk factors and therefore denies the potential for risk reduction.

VaR diversified and undiversified EDTF 23
(in millions)



Internal aggregated diversified and undiversified VaR for all trading positions Audited EDTF 23

	2014		2013		2012	
(in millions)	Diversified	Undiversified	Diversified	Undiversified	Diversified	Undiversified
VaR at last trading day of period	1.4	2.5	1.4	2.4	2.2	2.4
Highest VaR	3.8	5.1	5.4	7.1	6.3	9.0
Lowest VaR	0.8	1.6	0.7	1.6	1.3	2.2
Average VaR	1.4	2.5	2.0	3.0	3.0	4.5

During 2014, the average 1-day VaR at a 99% confidence level was EUR 1.4 million compared with EUR 2.0 million in 2013, while the highest VaR was also lower at EUR 3.8 million compared with EUR 5.4 million in 2013. Average undiversified VaR, being the sum of VaR across the FX, Equity Interest Rates and Commodity risk factors, also fell, from EUR 3.0 million in 2013 to EUR 2.5 million in 2014. The lower risk profile reflects the exit from Equity Derivatives trading from 2014 onwards.

Market risk in the banking book Audited

Market risk in the banking book, mainly interest rate risk, is the risk of a yield curve development that is unfavourable for the bank. Other market risks are limited in the banking book, either through hedging (foreign exchange rate) or in general (other market risk types).

Market risk exposure

The table below shows the interest rate risk metrics at year-end 2014 and 2013.

Interest rate risk metrics Pillar 3 EDTF 23

	31 December 2014	31 December 2013
NII-at-risk (in %)	2.2	5.4
Duration of equity (in years)	4.0	4.3
VaR banking book (in millions)[1]	959	956

[1] The bank applies a two-months 99% VaR for the banking book, meaning that a VaR of EUR 1 million implies a 1% chance of loss of more than 1 million within a two-month period.

In 2014, interest rates for the euro decreased over the full yield curve to historically low levels. In line with these developments and the outlook for interest rate developments, the duration position was kept around the same level during 2014 to benefit from this low interest rate environment. The VaR of the banking book was at the same level as the year before. The NII-at-Risk decreased compared with last year, indicating a lower net interest income sensitivity to an upward trend in the yield curve.

Regulatory capital market risk Pillar 3 EDTF 23

Capital requirement and risk exposure amount

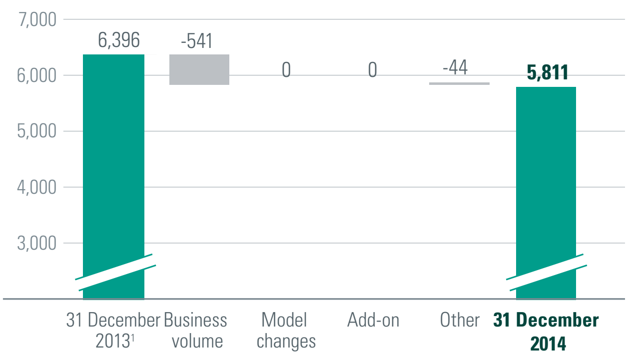
Pillar 3 EDTF 23

	31 December 2014		31 December 2013	
(in millions)	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount
Position risk in traded debt instruments	122	1,524	139	1,735
Position risk in equities	6	76	23	281
Foreign exchange risk				
Commodity risk	17	211	30	380
Add-on	320	4,000	320	4,000
Total	**465**	**5,811**	**512**	**6,396**

The above table shows the composition of the trading books of ABN AMRO, broken down by risk factor and required regulatory capital/risk exposure amount.

REA flow statement market risk EDTF 16

(in millions)



[1] No REA impact from CRR/CRD IV on market risk.

REA decreased to EUR 5.8 billion at 31 December 2014 compared with EUR 6.4 billion at 31 December 2014. This decline was related to lower REA amounts for traded debt instruments position and, to a lesser extent, lower REA in equities positions.

Liquidity risk

Liquidity risk management

Liquidity risk indicators

	31 December 2014	31 December 2013
Going concern liquidity management		
Survival period	>12 months	>12 months
Loan-to-Deposit ratio (in %)	116.5%	120.6%
Contingency liquidity risk management		
Available liquidity buffer (in billions)	73.9	75.9
Basel III		
LCR ratio	>100%	100%
NSFR ratio	>100%	>100%

The survival period was >12 months at 31 December 2014 (equal to 31 December 2013) and is comfortably above the internally set minimum requirement.

The LtD ratio improved from 120.6% at 31 December 2013 to 116.5% at 31 December 2014, mainly due to higher customer deposits. The following table shows the development of the LtD ratio over the last three years.

Loan-to-Deposit ratio Audited EDTF 18

(in millions)		31 December 2014		31 December 2013		31 December 2012
Loans and receivables - customers[1]		**261,910**		257,028		262,452
Gross up savings in mortgage linked saving products		7,571		7,236		6,574
Deductions						
Selected current accounts related to ABN AMRO Clearing Bank	4,806		2,053			
Fair value adjustment from hedge accounting	5,739		4,399		6,041	
Total deductions		-10,546		-6,452		-6,041
Adjusted Loans and receivables - customers		**258,935**		**257,812**		**262,985**
Due to customers[1]		**216,011**		207,584		201,605
Gross up savings in mortgage linked saving products		7,571		7,236		6,574
Debt certificates issued through Groenbank BV		103		227		353
Fiduciary deposits		422		749		4,233
Deductions						
Deposits from Dutch State Treasury Agency (DSTA)		-1,900		-2,100		-2,100
Adjusted Due to customers		**222,207**		**213,696**		**210,665**
Loan-to-Deposit ratio (LtD)		**116.5%**		**120.6%**		**124.8%**

[1] Excluding securities financing due to the new presentation of the balance sheet.

The liquidity buffer amounted to EUR 73.9 billion at 31 December 2014, down from EUR 75.9 billion at 31 December 2013. Most of the securities in the liquidity buffer, with the exception of the retained RMBS, are eligible for the LCR. The main driver behind the decrease in the liquidity buffer is the decline in the cash position, largely offset by the purchase of government bonds.

The composition of the liquidity buffer is shown in the following table. As our internal assessment of the eligibility and haircut for several liquidity instruments deviates from the Basel III regulation, liquidity values may deviate. Since our internal haircut on government bonds is higher than that of the LCR, the liquidity buffer value is lower than the LCR eligible amount.

Further information on the composition of the government bond portfolio is provided in note 15 to the Annual Financial Statements.

Liquidity buffer composition Audited EDTF 18

	31 December 2014			31 December 2013			31 December 2012		
	Liquidity buffer	of which LCR eligible		Liquidity buffer	of which LCR eligible		Liquidity buffer	of which LCR eligible	
(in billions, liquidity value)		Level 1	Level 2		Level 1	Level 2		Level 1	Level 2
Cash & Central Bank deposits	5.3	5.3		16.8	16.8		19.0	19.0	
Government bonds	27.3	28.3		18.0	18.8		11.8	12.3	
Covered bonds	2.0		1.8	2.2		1.9	2.3		2.1
RMBS retained	31.8			33.1			29.3		
Third party RMBS	1.0		0.8	1.1		0.9	1.0		
Other	6.5	1.9	1.8	4.7	0.6	2.1	4.6	0.2	1.2
Total	**73.9**	**35.6**	**4.4**	**75.9**	**36.2**	**4.9**	**68.0**	**31.5**	**3.3**

Despite the decrease in liquidity buffer, the LCR rose above 100% at 31 December 2014 compared with 100% at 31 December 2013. The NSFR remained comfortably above 100% in 2014.

The following table shows the breakdown per currency of the liquidity buffer.

Liquidity buffer currency diversification Audited EDTF 18

(in billions, liquidity value)	31 December 2014	31 December 2013	31 December 2012
EUR	68.5	73.1	66.2
USD	2.1	1.7	1.5
GBP	0.3	0.2	0.2
CHF	0.6	0.2	
Other	2.4	0.7	0.1
Total	**73.9**	**75.9**	**68.0**

The monthly averages for 2014, 2013 and 2012 are shown in the table below:

Liquidity buffer composition - monthly average Audited

(in billions, liquidity value)	2014	2013	2012
Cash & Central Bank deposits	5.6	14.5	12.5
Government bonds	23.3	14.8	10.0
Covered bonds	2.2	2.3	2.3
RMBS retained	32.1	32.1	26.8
Third party RMBS	1.0	1.1	0.9
Other	6.6	4.8	4.5
Total	**70.9**	**69.6**	**57.0**

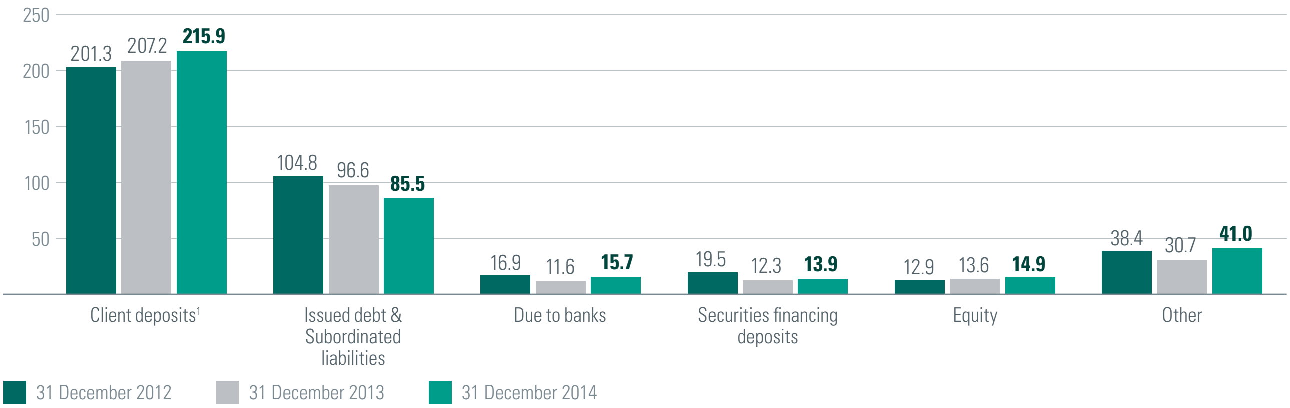
Funding

Liability and equity breakdown Audited EDTF 21

Client deposits comprise a sound funding base and serve as the main source of funding, complemented by a well-diversified book of wholesale funding. Client deposits increased by EUR 8.7 billion between 31 December 2013 and 31 December 2014, but remained stable at 56% of the total balance sheet.

The increase in deposits improved the Loan-to-Deposit ratio (LtD ratio) to 116.5% at 31 December 2014 from 120.6% at 31 December 2013. Consequently, the need to use wholesale funding declined, lowering total wholesale funding by EUR 11.1 billion at year-end 2014. .

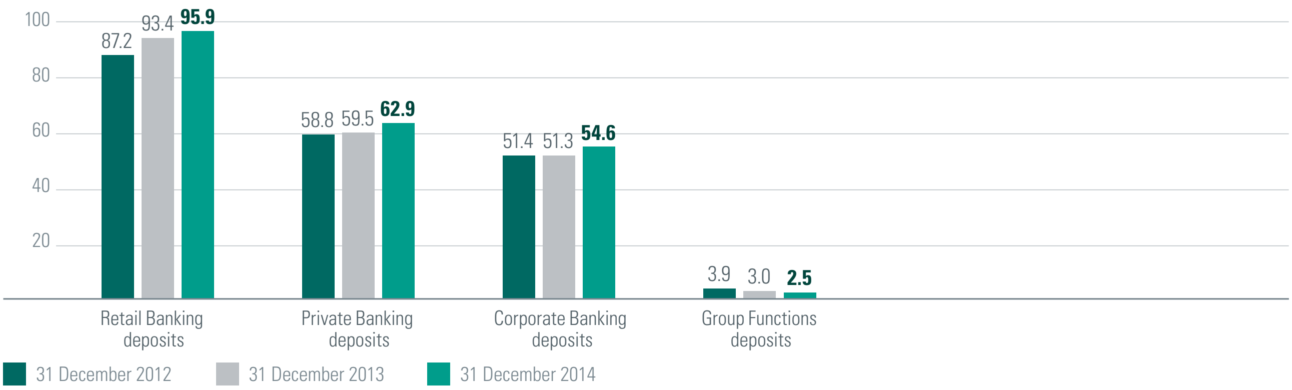
Liability and equity breakdown Audited EDTF 21
(in billions)



[1] Client deposits is part of the balance sheet item Due to customers. More information can be found in the Financial review section of this report.

The graph below shows the breakdown of customer deposits by segment.

Breakdown of client deposits Audited EDTF 21
(in billions)



The inflow of EUR 5.9 billion in Retail Banking and Private Banking deposits came predominantly from the growth of MoneYou in Germany and the increase in Private Banking deposits in the Netherlands.

The increase of EUR 3.3 billion in Corporate Banking deposits was mainly due to an increase in Capital Markets Solutions, Clearing and Commercial Clients deposits.

Available funding instruments Audited EDTF 21

Several programmes are in place to attract long-, medium- and short-term funding. A key goal of the funding strategy is to diversify funding sources. To this end, the set of funding instruments includes a broad set of funding programmes in different currencies, markets, maturities and investor bases. A description of capital and funding instruments issued by ABN AMRO is provided on our website, abnamro.com. We continuously assess our wholesale funding base in order to determine the optimum use of funding sources. The main wholesale funding types can be specified as follows:

Overview of funding types Audited EDTF 21

(in millions)	31 December 2014	31 December 2013	31 December 2012
Saving certificates	72	352	704
Commercial Paper/Certificates of Deposit			
Euro Commercial Paper	1,706	2,054	5,238
London Certificates of Deposit	1,436	5,258	4,512
French Certificats de Dépôt	1,517	4,668	7,525
US Commercial Paper	4,070	3,630	3,788
Total Commercial Paper/Certificates of Deposit	**8,729**	**15,610**	**21,063**
Senior guaranteed			
Dutch State guaranteed medium-term notes[1]		1,423	2,745
Senior unsecured			
Unsecured medium-term notes	32,252	33,089	26,237
Senior secured			
Covered bonds	27,077	25,913	28,149
Securitisations			
Residential mortgage-backed securities (Dutch)	8,829	12,122	15,969
Other asset-backed securities	171	173	181
Total securitisations	**9,001**	**12,295**	**16,150**
Total issued debt	**77,131**	**88,682**	**95,048**
Total Subordinated liabilities	**8,328**	**7,917**	**9,736**
Total wholesale funding	**85,458**	**96,599**	**104,784**
Other long-term funding[2]	**6,900**	**4,500**	**4,800**
Total funding instruments	**92,358**	**101,099**	**109,584**
- of which issued debt matures within one year	20,194	30,719	35,481

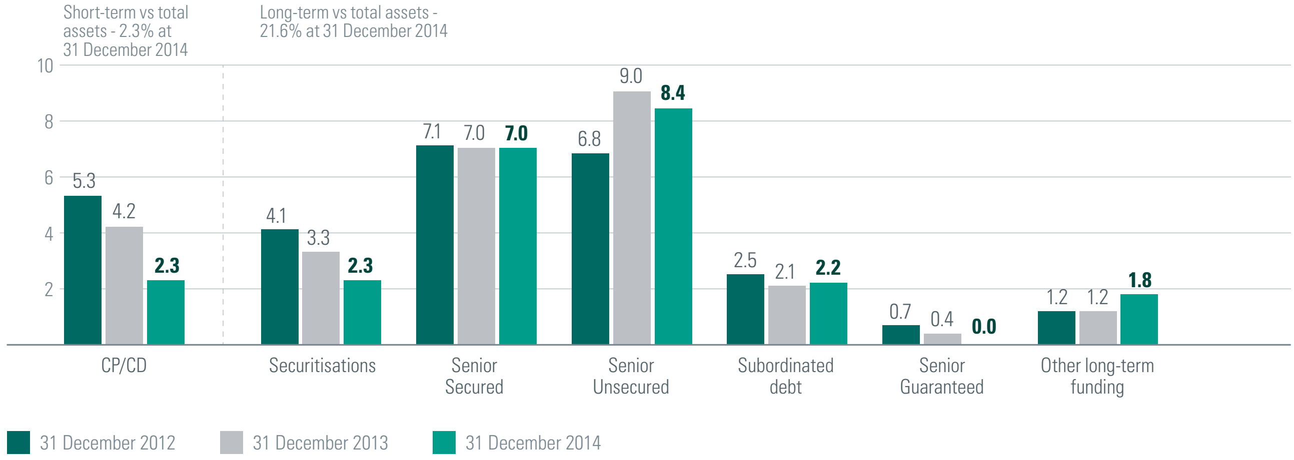
[1] The Dutch State guaranteed medium-term notes matured in May 2014.
[2] Includes long-term repo (recorded in Securities financing), TLTRO funding (recorded in Due to banks) and funding with the Dutch State as counterparty (recorded in Due to customers).

Total wholesale funding decreased to EUR 85.5 billion at year-end 2014, down from EUR 96.6 billion at year-end 2013. ABN AMRO reduced the relative share of short-term funding (CP/CD) to total wholesale funding from 16.2% to 10.2%, in line with its strategy to improve its liquidity profile.

ABN AMRO participated in the Targeted Long-Term Refinancing Operations (TLTRO) programme, which is the programme of the European Central Bank to support lending to the real economy. ABN AMRO participated in the TLTRO for a total amount of EUR 4.0 billion and consequently reduced further funding activities in the wholesale market.

The following graph shows the development of wholesale funding types relative to the balance sheet total at 31 December 2014 and 31 December 2013.

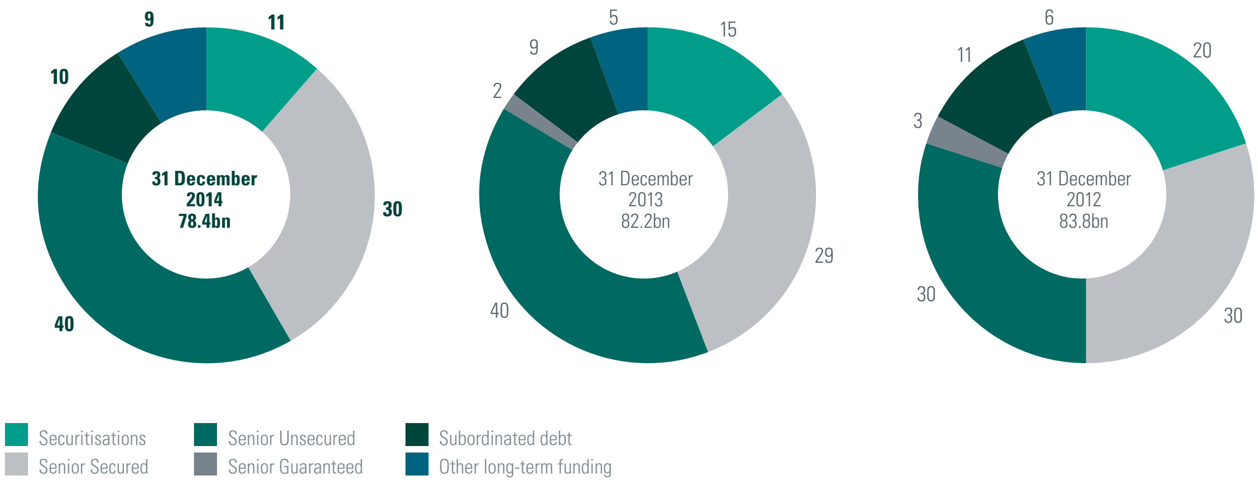
Funding vs balance sheet total Audited EDTF 21
(as % of total assets)



Long-term funding components Audited EDTF 21

The following graph gives an overview of the outstanding long-term funding at 31 December 2013 and 31 December 2014. The information presented is based on notional values and therefore differs from the information above due to discrepancies between nominal value and issue price and fair value hedge accounting adjustments.

Long-term funding components Audited EDTF 21
(in %)

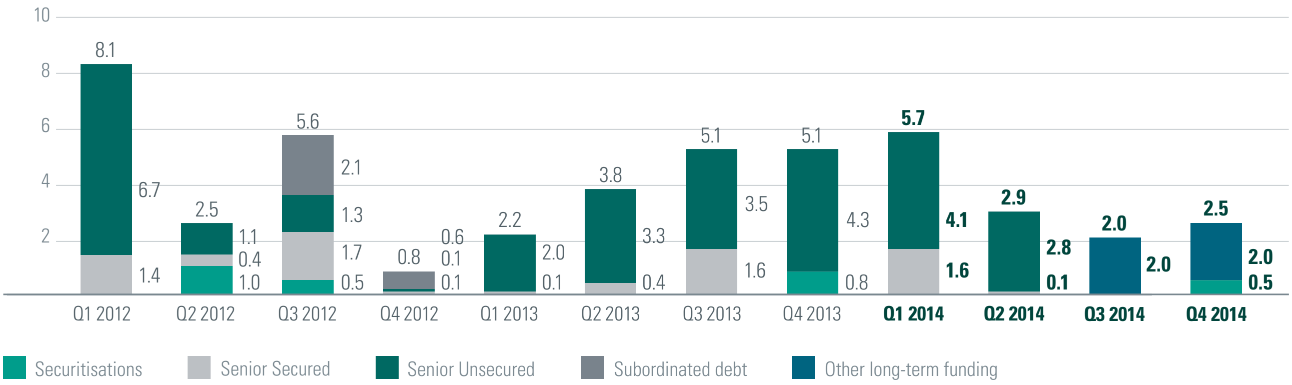


Funding issuance in 2014 Audited EDTF 21

During 2014, ABN AMRO raised EUR 9.2 billion in long-term wholesale funding. The majority was issued as senior unsecured wholesale funding at attractive pricing levels. The majority of the wholesale funding was attracted through private placements: 72% in 2014 compared with 56% in 2013. The remainder of funding was raised through benchmark transactions and taps on our existing instruments. Furthermore, ABN AMRO participated in the TLTRO for a total amount of EUR 4.0 billion.

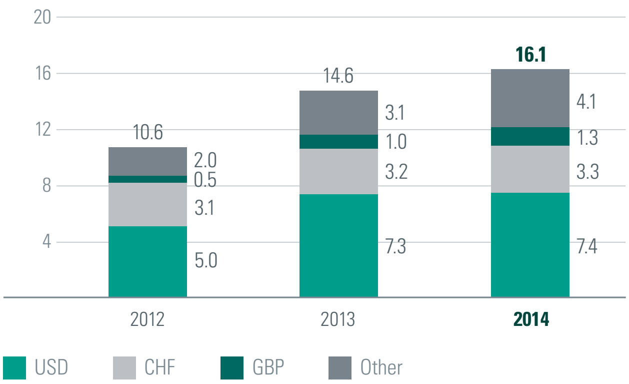
RMBS and securitisations markets remained accessible in 2014, allowing us to issue new RMBS notes in the fourth quarter of 2014.

Long-term funding raised in 2012, 2013 and 2014 Audited EDTF 21
(in billions)



As a result of our diversification strategy, the long-term funding in non-euro currencies rose to 20.5% of total outstanding long-term funding compared with 17.4% at year-end 2013. In 2014, the bank raised 49% of long-term funding in EUR and the remainder mainly in USD, CHF, GBP, JPY, NOK, NZD, SEK and AUD. Diversification of the outstanding long-term funding in non-euro currencies is shown in the following graph.

Non-euro currency diversification of total outstanding long-term funding Audited EDTF 21
(in billions)



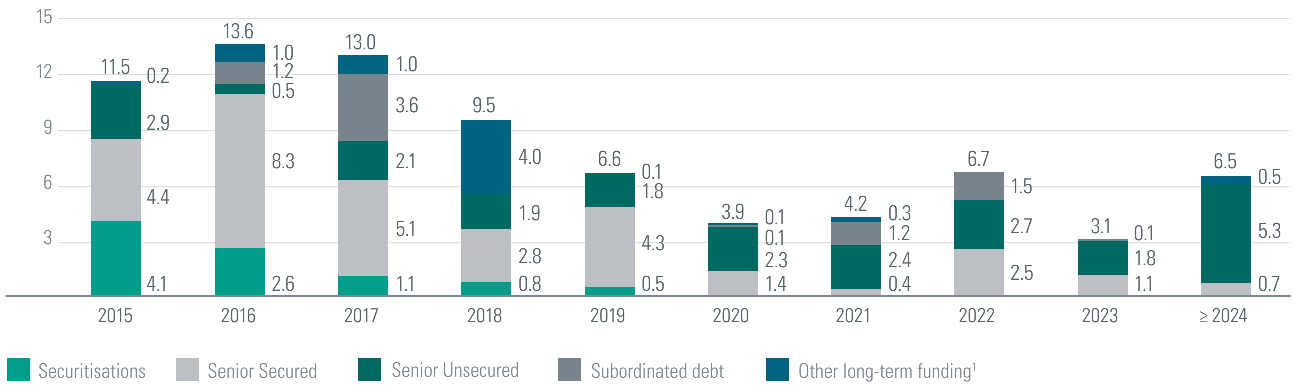
Maturity calendar Audited EDTF 21

ABN AMRO improved the maturity profile of its wholesale funding and maintained its moderate risk profile. In recent years, the bank carried out its strategy of diversifying in terms of investors, geography and funding instruments while extending the wholesale funding maturity profile. For the coming years, ABN AMRO will focus on optimising its wholesale maturity profile and on further diversifying its funding sources.

We enhanced the maturity profile of our long-term wholesale funding predominantly by spreading out redemptions of funding instruments over time. The average maturity of newly issued funding increased to 5.5 years (up from 5.2 years in 2013), while the average maturity of outstanding long-term funding decreased slightly from 4.5 years at year-end 2013 to 4.3 years at year-end 2014. This is mainly due to the fact that more long-term wholesale funding matured in 2014 than was issued.

The stated maturity calendar assumes redemption on the earliest possible call date or otherwise the legal maturity date as early redemption of subordinated instruments is subject to the approval of the regulators. However, this does not mean that the instruments will be called at the earliest possible call date.

Maturity calendar at 31 December 2014 Audited EDTF 21
(in billions)



[1] Other long-term funding includes long-term repos, TLTRO funding and funding with the Dutch State as counterparty.

Capital

Capital structure Audited

ABN AMRO's capital structure consists of loss-absorbing capital to cover unexpected losses. The subordination in specific capital elements provides further protection to senior creditors.

Common Equity Tier 1 capital decreased in 2014 due primarily to the impact of the transition to the collective defined contribution pension scheme. The pension agreement largely eliminated future capital position volatility. Additional Tier 1 and Tier 2 capital remained virtually stable.

Regulatory capital structure Audited Pillar 3

	Basel III		Basel II	
(in millions)	31 December 2014	31 December 2013 pro-forma[1]	31 December 2013	31 December 2012
Total Equity - EU IFRS	**14,877**	**13,568**	**13,568**	**12,883**
Participations in financial institutions >10%			-336	-323
Cash flow hedge reserve	1,223	1,467	1,467	1,873
Dividend reserve	-275	-200	-200	-262
Other regulatory adjustments	-399	1,183	1,199	529
Common Equity Tier 1/Core Tier 1 capital	**15,426**	**16,018**	**15,698**	**14,700**
Innovative hybrid capital instruments	800	800	1,000	997
Other regulatory adjustments	-241	-317		
Tier 1 capital	**15,985**	**16,501**	**16,698**	**15,697**
Subordinated liabilities Tier 2	5,502	5,607	5,610	7,031
Excess Tier 1 instrument recognised as Tier 2 capital	200			
Participations in financial institutions >10%			-336	-323
Other regulatory adjustments	-39	-164	25	-5
Total regulatory capital[2]	**21,648**	**21,944**	**21,997**	**22,400**

1 Pro-forma figures are not audited.
2 DNB requires Dutch banks to disclose the Basel I floor in accordance with CRR article 500. The Basel I floor is calculated by multiplying Basel I REA of EUR 179 billion by 8% times 80% resulting in a minimum required amount of own funds of EUR 11.5 billion as per 31 December 2014. ABN AMRO comfortably meets this requirement.

Regulatory capital flow statement Audited EDTF 11

(in millions)	Basel III 2014	Basel III 2013 pro-forma[1]	Basel II 2013	Basel II 2012
Common Equity Tier 1 capital/Core Tier 1 capital				
Balance at 1 January	**16,018**	14,700	14,700	13,345
Addition of net profit attributable to shareholders	1,134	1,160	1,160	1,153
Reserved dividend	-275	-200	-200	-262
Interim dividend paid	-125	-150	-150	
Additional dividend paid		-213	-213	
MCS conversion & Ageas settlement				1,600
Change in pension scheme (excluding impact on P&L)	-1,682			
Other, including regulatory adjustments	356	721	401	-1,136
Balance at 31 December	**15,426**	**16,018**	**15,698**	**14,700**
Additional Tier 1 capital				
Balance at 1 January	**483**	800	997	2,744
New issued Tier 1 eligible capital instruments				
Redeemed Tier 1 eligible capital instruments				-1,750
Other, including regulatory adjustments	76	-317	3	3
Balance at 31 December	**559**	**483**	**1,000**	**997**
Tier 1 capital	**15,985**	**16,501**	**16,698**	**15,697**
Tier 2 capital				
Balance at 1 January	**5,443**	6,703	6,703	4,508
New issued Tier 2 eligible capital instruments				2,758
Redeemed Tier 2 eligible capital instruments		-1,399	-1,399	-22
Other, including regulatory adjustments	220	139	-5	-541
Balance at 31 December	**5,663**	**5,443**	**5,299**	**6,703**
Total regulatory capital	**21,648**	**21,944**	**21,997**	**22,400**

[1] Pro-forma figures are not audited.

Risk exposure amount Audited

(in millions)	Basel III 31 December 2014	Basel III 31 December 2013 pro-forma[1]	Basel II 31 December 2013	Basel II 31 December 2012
Credit risk	**87,667**	92,631	86,201	100,405
- of which standardised	7,834	13,392	10,731	32,570
- of which advanced	79,833	79,239	75,470	67,835
Operational risk	**16,168**	16,415	16,415	15,461
- of which standardised	16,168	16,415	16,415	15,461
- of which advanced				
Market risk	**5,811**	6,396	6,396	5,640
- of which standardised	5,811	6,396	6,396	5,140
- of which advanced				500
Total risk exposure amount	**109,647**	**115,442**	**109,012**	**121,506**

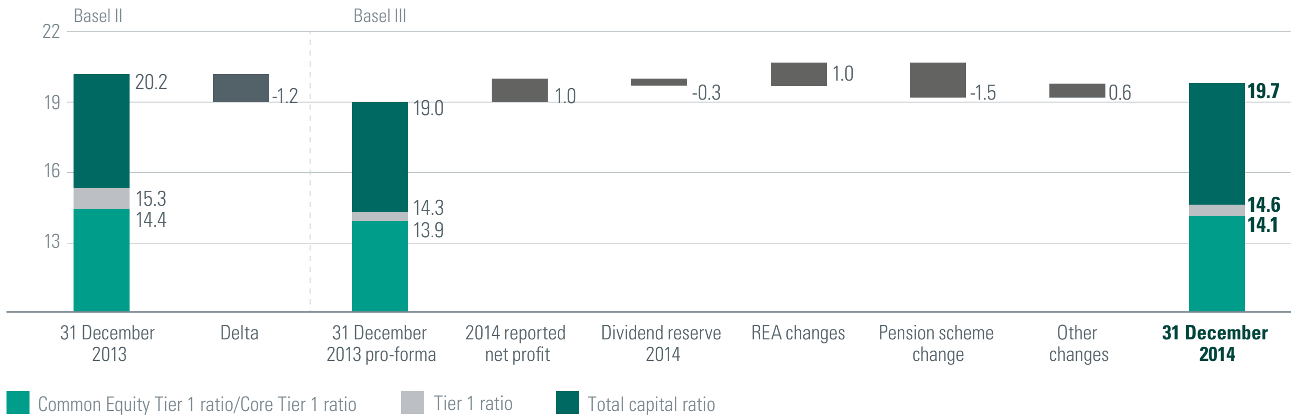
[1] Pro-forma figures are not audited.

Main changes in capital position EDTF 11

At year-end 2014, the CRD IV Common Equity Tier 1 and Tier 1 ratios were 14.1% and 14.6% respectively, while the total capital ratio was 19.7%. All capital ratios were well above the regulatory minimum requirements.

The following chart shows the primary drivers of the capital ratios in 2014.

Developments impacting capital ratios in 2014 EDTF 11
(in %)



Developments impacting capital ratios in 2014 EDTF 11

Common Equity Tier 1 capital

Common Equity Tier 1 capital decreased over 2014 mainly due to the adverse impact of the pension scheme change. This adverse impact was partly offset by strong profit generation.

Net reported profit attributable to the shareholder of ABN AMRO in 2014 amounted to EUR 1,134 million. Net profit after dividend allocation is included in Common Equity Tier 1 capital, in accordance with regulations and ABN AMRO's dividend policy.

In the fourth quarter of 2014, ABN AMRO paid out an interim dividend of EUR 125 million to its shareholder. ABN AMRO proposes payment of a final dividend of EUR 275 million, bringing the total dividend for 2014 to EUR 400 million.

Tier 2 capital

In 2014, the Dutch central bank assessed the CRR compliance of ABN AMRO's capital instruments. The large majority of Tier 2 instruments are now recognised as fully CRR compliant, with a positive impact on fully-loaded total capital.

In 2014, Tier 2 capital instruments eligible under the CRD IV/CRR phase-in rules decreased slightly due to regulatory amortisation of outstanding capital instruments with a negative impact on total capital.

Risk exposure amount

The introduction of the CRD IV/CRR transitional rules on 1 January 2014 resulted in a considerable increase in REA with an adverse impact on the capital ratios. The increase in REA was mainly driven by additional capital requirements for potential mark-to-market counterparty credit risk losses (credit valuation adjustment), exposure to central counterparties, the deferred tax assets related to temporary differences, along with the risk-weighting of participations in financial institutions.

REA came down in 2014, with a positive impact on the capital ratios. Further details on the development of REA over 2014 are provided in the Credit risk, Operational risk and Market risk subsections of this chapter.

Further information on share capital, dividend and capital instruments Pillar 3

Share capital

At 31 December 2014, the authorised share capital of ABN AMRO Bank N.V. amounted to EUR 800 million distributed over 800,000,000 ordinary shares with a nominal value of EUR 1.00 each. As at 31 December 2014, issued and paid-up capital by ABN AMRO Bank N.V. consisted of 800,000,000 ordinary shares (EUR 800 million). Further information is provided in note 30 of the Annual Financial Statements.

Dividend

In March 2011, ABN AMRO announced its dividend policy, targeting a payout ratio of 40% of the annual reported net profit. Although ABN AMRO is well positioned for meeting the fully-loaded Basel III/CRD IV requirements, the bank strives to reach capital levels that facilitate the execution of its strategic ambitions in anticipation of upcoming regulatory requirements.

As a result, for reasons of prudence and in close consultation with the shareholder, ABN AMRO has adopted an addition to the dividend policy which implies a temporary reduction of the dividend payout ratio. The targeted payout ratio will gradually increase again to 40% over the full-year 2015 reported net profit.

Based on the reported net profit, ABN AMRO proposes payment of a final dividend of EUR 275 million to its shareholder, bringing the total dividend for 2014 to EUR 400 million. An interim dividend of EUR 125 million was paid to the shareholder in November 2014.

Capital instruments

Capital instruments Audited

(in millions)	ISIN/CUSIP	Maturity date	First possible call date	31 December 2014 Nominal amount	31 December 2014 Carrying amount	31 December 2013 Nominal amount	31 December 2013 Carrying amount	31 December 2012 Nominal amount	31 December 2012 Carrying amount
Tier 1									
EUR 1,000 million 4.31% per annum	XS0246487457	Perpetual	March 2016	1,000	1,077	1,000	1,103	1,000	1,003
Total Tier 1 capital instruments				**1,000**	**1,077**	**1,000**	**1,103**	**1,000**	**1,003**
Tier 2									
GBP 150 million (originally GBP 750 million) 5.00% per annum	XS0244754254	Perpetual	February 2016	192	208	179	200	183	212
EUR 1,650 million (originally EUR 2,000 million)[1]		October 2017	October 2012[2]	1,650	1,654	1,650	1,654	1,650	1,654
EUR 1,228 million 6.375% per annum	XS0619548216	April 2021		1,228	1,524	1,228	1,443	1,228	1,508
USD 595 million 6.250% per annum	XS0619547838	April 2022		489	543	432	462	451	530
USD 113 million 7.75% per annum	00080QAD7/ N0028HAP0	May 2023		93	82	82	83	86	95
EUR 1,000 million 7.125% per annum	XS0802995166	July 2022		1,000	1,128	1,000	1,024	1,000	1,063
USD 1,500 million 6.25% per annum	XS0827817650	September 2022	September 2017	1,234	1,246	1,090	1,094	1,137	1,147
SGD 1,000 million 4.7% per annum	XS0848055991	October 2022	October 2017	623	617	575	569	621	747
EUR various smaller instruments		2015 - 2020		226	250	281	285	313	315
USD various smaller instruments									408
Various Tier 2 capital instruments[3]								1,464	1,054
Total Tier 2 capital instruments				**6,735**	**7,251**	**6,517**	**6,814**	**8,133**	**8,733**
Of which eligible for regulatory capital:									
Basel III, Tier 1				800		800		797	
Basel III, Tier 2				5,502		5,607		5,002	
Basel III, Excess Tier 1 instrument recognised as Tier 2 capital				200					

1 The EUR 1,650 million instrument is owned by the Dutch State and was aquired from Fortis Bank SA/NV (Belgium) in October 2008. Please refer to note 32 of the Consolidated Annual Financial Statements.
2 And every subsequent interest payment date thereafter.
3 Various Tier 2 capital instruments called in 2013.

Movements in subordinated liabilities Audited

(in millions)	2014 Carrying amount	2013 Carrying amount	2012 Carrying amount
Balance as at 1 January	7,917	9,736	8,814
Issuance			2,794
Redemption	-51	-1,497	-23
MCS conversion			-2,000
Foreign exchange differences	277	-114	
Other	185	-208	151
Balance as at 31 December	**8,328**	**7,917**	**9,736**

Minimum capital requirement

Audited | Pillar 3 | EDTF 9 | EDTF 14

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

The following table provides an overview of REA and minimum capital requirements per risk type, category of exposure and regulatory approach.

Minimum capital requirements

Audited | Pillar 3 | EDTF 9 | EDTF 14

	Basel III				Basel II	
	31 December 2014		31 December 2013		31 December 2012	
(in millions)	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount
Credit risk IRB						
Central governments and central banks	162	2,020	42	528	55	683
Institutions[1]	398	4,972	336	4,201		
Corporates	2,927	36,586	3,122	39,020	2,985	37,318
Retail	2,292	28,646	2,177	27,212	2,099	26,229
- of which secured by immovable property/retail mortgages	1,722	21,521	1,546	19,326	1,407	17,584
- of which qualifying revolving exposures	296	3,702	296	3,700	228	2,856
- of which other retail	274	3,423	335	4,186	464	5,789
Equities not held for trading	401	5,009	219	2,733	143	1,789
Securitisation positions	19	237	23	286	18	230
Credit valuation adjustment		1,264				
Other[2]	88	1,099	119	1,490	127	1,586
Total credit risk IRB	**6,285**	**79,833**	**6,038**	**75,470**	**5,427**	**67,835**
Credit risk SA						
Central governments and central banks	12	154	6	80		
Institutions[1]	28	344	34	425	439	5,482
Corporates	301	3,758	474	5,930	1,902	23,776
Retail	78	974	109	1,364	107	1,335
Secured by mortgages on immovable property	43	541				
Exposures in default	13	156				
Other[2]	153	1,907	235	2,932	158	1,977
Total credit risk SA	**627**	**7,834**	**858**	**10,731**	**2,606**	**32,570**
Other risks						
Market risk	465	5,811	512	6,396	451	5,640
- of which Standardised Approach	465	5,811	512	6,396	411	5,140
- of which Internal Model Approach					40	500
Operational risk	1,293	16,168	1,313	16,415	1,237	15,461
- of which Standardised Approach	1,293	16,168	1,313	16,415	1,237	15,461
Total other risks	**1,758**	**21,979**	**1,825**	**22,811**	**1,688**	**21,101**
Total	**8,671**	**109,647**	**8,721**	**109,012**	**9,720**	**121,506**

1 Institutions include exposures to banks and investment companies, regional and local governments and pension funds.
2 Other includes non-credit obligations.

Main regulatory developments

Basel III/CRD IV EDTF 9

The Capital Requirements Directive IV (CRD IV) and the Capital Requirements Regulation (CRR) set the framework for the implementation of Basel III in the European Union. CRD IV and CRR were phased in on 1 January 2014 and is expected to be fully effective by January 2019.

ABN AMRO is already managing its regulatory capital adequacy position in anticipation of Basel III fully-loaded requirements. ABN AMRO is compliant with the more restrictive fully-loaded capital requirements.

Impact of CRD IV/CRR fully-loaded rules on capital ratios

	Phase-in	Fully-loaded
31 December 2014		
Core Tier 1/Common Equity Tier 1 ratio	14.1%	14.1%
Tier 1 ratio	14.6%	14.1%
Total capital ratio	19.7%	18.9%
Risk exposure amount	109,647	109,647
Leverage ratio	3.5%	3.4%

Under the CRD IV/CRR fully-loaded rules for capital deductions, prudential filters and REA, the impact on the capital ratios is as follows:

- REA are equivalent to those under phase-in rules;
- The amount of Common Equity Tier 1 capital is approximately equal to the amount under the phase-in rules since the fully-loaded impact on Common Equity Tier 1 capital deductions is largely neutral;
- Total capital is expected to decrease by EUR 0.9 billion, resulting in a decline in the total capital ratio of 0.8 percentage points. This is primarily due to the loss of eligibility of non-CRR compliant Additional Tier 1 and Tier 2 capital instruments.

The CRR fully-loaded Common Equity Tier 1 ratio at 31 December 2014 was equivalent to the CRR phase-in Common Equity Tier 1 ratio of 14.1%.

Leverage ratio

	31 December 2014		31 December 2013
(in millions)	Phase-in	Fully-loaded	Fully-loaded
Tier 1 capital	**15,985**	**15,435**	**14,087**
Exposure measure (under CRR)			
On-balance sheet exposures	386,867	386,867	372,022
Off-balance sheet items	36,018	36,018	33,543
On-balance sheet netting	37,709	37,709	54,959
Derivative exposure	-11,783	-11,783	-2,667
Securities financing exposures	-13,217	-13,217	-10,472
Other regulatory measures	448	744	644
Exposure measure	**436,042**	**436,338**	**448,028**
Leverage ratio (CRR)[1]	**3.5%**	**3.4%**	**3.1%**
Leverage ratio (CDR)	3.8%	3.7%	3.2%

[1] 3-month average.

The Capital Requirements Regulation (CRR) introduced a non-risk based leverage ratio to be monitored until 2017 and to be further refined and calibrated before becoming a binding measure as from 2018. The Commission Delegated Regulation (CDR) amended the leverage ratio definition to enhance comparability of the leverage ratio disclosures. The CDR will be applicable as from 2015.

According to the CDR, the leverage ratio is calculated as at the end of the reporting period instead of as a three-month average in the CRR. Furthermore, the CDR introduces amendments in the calculation of the exposure measure with regard to securities financing transactions, derivatives and off-balance sheet exposures.

The fully-loaded CRR leverage ratio improved to 3.4% on 31 December 2014 from 3.1% on 31 December 2013, while the fully-loaded CDR leverage ratio improved to 3.7% (up from 3.2%). Since the third quarter of 2014 the leverage ratio is reported gross of netting of notional cash pools.

Improvement of the leverage ratio can be mainly attributed to the substantial decrease in notional cash pooling and the subsequent decrease in the exposure measure achieved in the fourth quarter of 2014.

additional risk & capital disclosures

The following section includes additional information on risk and capital. This information is provided according to EU IFRS, Pillar 3, EDTF and market discipline. This required information is a supplement to the core analysis provided in the Risk & Capital Review section and provides additional or more detailed information.

Credit risk exposure

The following table presents the EU IFRS view on maximum exposure to credit risk. The financial instruments subject to credit risk are presented in accordance with EU IFRS at carrying amounts, without consideration of collateral or other credit enhancements. As such, the table does not represent ABN AMRO's risk management view.

Maximum exposure to credit risk EU IFRS Audited

(in millions)	31 December 2014		31 December 2013		31 December 2012	
Cash and balances at central banks		**706**		9,523		9,796
Financial assets held for trading	9,017		12,019		7,089	
Less: equity securities	4,946		6,471		2,539	
Financial assets held for trading		**4,071**		**5,548**		**4,550**
Derivatives		**25,285**		**14,271**		**21,349**
Financial investments	41,466		28,111		21,730	
Less: equity instruments	225		209		192	
Less: private equities and venture capital	246		121		134	
Less: Equity securities	78		182		28	
Financial investments		**40,918**		**27,599**		**21,376**
Securities financing		**18,511**		**18,362**		**28,793**
Loans and receivables - banks		**21,680**		**23,967**		**32,183**
Loans and receivables - customers		**261,910**		**257,028**		**262,452**
Other assets	4,986		5,128		6,094	
Less: Unit-linked investments	2,453		2,171		2,170	
Less: Assets held for sale	25		29		55	
Less: Other	582		746		1,309	
Other assets		**1,926**		**2,182**		**2,560**
On-balance sheet maximum exposure to credit risk		**375,007**		358,480		383,059
Off-balance sheet						
Committed credit facilities	16,164		13,764		17,635	
Guarantees and other commitments	15,335		16,103		16,777	
Revocable credit facilities[1]	78,508		71,657		72,343	
Off-balance sheet credit facilities and guarantees		**110,007**		101,524		106,755
Maximum exposure to credit risk		**485,014**		460,004		489,814

[1] Although not committed, ABN AMRO has the opinion that revocable credit facilities give rise to credit risk. These are not included as committed credit facilities in note 32.

Maturity distribution by exposure class Pillar 3

(in millions, Exposure at Default)	Less than one year	Between one year and five years	More than five years	Total
				31 December 2014
Central governments and central banks	15,478	8,393	18,214	42,085
Institutions[1]	9,152	2,174	6,965	18,291
Corporates	45,729	29,635	14,487	89,851
Retail	10,698	3,978	158,935	173,611
- of which secured by immovable property	1,278	2,942	153,365	157,585
- of which qualifying revolving exposures	3,972		3,162	7,134
- of which other retail	5,448	1,036	2,408	8,892
Securitisation positions	978		1,456	2,434
Total IRB[2]	**82,035**	**44,180**	**200,058**	**326,273**
Total SA[3]	3,726	1,429	13,656	18,811
Total	**85,761**	**45,609**	**213,714**	**345,084**
Percentage of total	25%	13%	62%	100%

1 Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
2 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.
3 Exposure at Default does not include EAD calculated for other non-credit obligations.

Maturity distribution by exposure class Pillar 3

(in millions, Exposure at Default)	Less than one year	Between one year and five years	More than five years	Total
				31 December 2013
Central governments and central banks	22,540	8,359	14,121	45,020
Institutions[1]	11,044	3,992	3,546	18,582
Corporates	41,369	28,186	17,924	87,479
Retail	10,797	3,881	159,520	174,198
- of which retail mortgages	1,225	2,831	153,847	157,903
- of which qualifying revolving exposures	4,262		3,012	7,274
- of which other retail	5,310	1,050	2,661	9,021
Securitisation positions		1,198	1,313	2,511
Total IRB[2]	**85,750**	**45,616**	**196,424**	**327,790**
Total SA[3]	3,657	1,904	7,182	12,743
Total	**89,407**	**47,520**	**203,606**	**340,533**
Percentage of total	26%	14%	60%	100%

1 Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
2 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.
3 Exposure at Default does not include EAD calculated for other non-credit obligations.

Regulatory gross and net exposure by risk-weight under the Standardised Approach

These tables provide a breakdown of the regulatory gross and net credit exposure by risk weight for our credit portfolio exposures treated under the Standardised Approach, according to Basel-defined exposure classes.

SA approach: regulatory gross and net credit exposure by risk-weight Pillar 3

31 December 2014

(in millions, Exposure at Default)	Risk-weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	Total EAD
Regulatory gross exposure											
Central governments and central banks		2,414		60				144			2,618
Institutions[1]		5,280		826	91	54	6		1		6,259
Corporates					290	308	590	5,272			6,459
Retail					418	27	5,479	68			5,993
Covered bonds											
Secured by real estate					581			5			587
Exposures in default								595	95		690
Other		488		239	620	415		3,556	53		5,371
Total[2]		**8,182**		**1,125**	**2,001**	**804**	**6,076**	**9,639**	**149**		**27,976**

1 Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
2 Exposure at Default does not include EAD calculated for other non-credit obligations.

31 December 2014

(in millions, Exposure at Default)	Risk-weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	Total EAD	Total REA
Regulatory net exposure												
Central governments and central banks		2,413		48				144			2,606	154
Institutions[1]		5,282	2	853	90	52	6		1		6,286	344
Corporates		44	21	44	401	894	392	2,810	1		4,606	3,758
Retail			820	226	389	300	755	1			2,490	974
Covered bonds												
Secured by real estate			1,296	843	562			5			2,706	541
Exposures in default								38	79		117	156
Other												
Total SA[2]		**7,739**	**2,139**	**2,015**	**1,442**	**1,246**	**1,153**	**2,997**	**81**		**18,811**	**5,927**

1 Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
2 Exposure at Default does not include EAD calculated for other non-credit obligations.

SA approach: regulatory gross and net credit exposure by risk-weight Pillar 3

(in millions, Exposure at Default)	Risk-weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	Total EAD
											31 December 2013
Regulatory gross exposure											
Central governments and central banks		119	118					65			302
Institutions[1]			889	749		77		3			1,718
Corporates			51	25	346	1,005	111	8,636	75	1	10,250
Retail			687	1,014	716	422	5,899	97	14		8,849
- of which retail mortgages			687	838	716	24		48	1		2,314
- of which qualifying revolving exposures											
- of which other retail				176		398	5,899	49	13		6,535
Securitisation positions											
Total[2]		**119**	**1,745**	**1,788**	**1,062**	**1,504**	**6,010**	**8,801**	**89**	**1**	**21,119**

[1] Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
[2] Exposure at Default does not include EAD calculated for other non-credit obligations.

(in millions, Exposure at Default)	Risk-weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	Total EAD	Total REA
												31 December 2013
Regulatory net exposure												
Central governments and central banks		155	120					65			340	80
Institutions[1]			936	879	94	187	12	8			2,116	425
Corporates			51	25	299	1,062	111	5,034	55	1	6,638	5,930
Retail			687	1,062	688	395	781	26	10		3,649	1,364
- of which retail mortgages			687	886	688			1			2,262	497
- of which qualifying revolving exposures												
- of which other retail				176		395	781	25	10		1,387	867
Securitisation positions												
Total SA[2]		**155**	**1,794**	**1,966**	**1,081**	**1,644**	**904**	**5,133**	**65**	**1**	**12,743**	**7,799**

[1] Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
[2] Exposure at Default does not include EAD calculated for other non-credit obligations.

Credit quality by exposure class under the Internal Ratings-Based approach Pillar 3 EDTF 15

The following tables provide an overview of EAD, REA and LGD buckets by exposure class and grade category.

IRB approach: credit quality by exposure class Pillar 3 EDTF 15

		31 December 2014					
				Total	LGD 0% - 20%	LGD 20% - 50%	LGD > 50%
(in millions)		EAD	REA	Average REA	EAD (%)	EAD (%)	EAD (%)
Exposure class	**Grade category**						
Central governments and central banks	Investment grade	41,815	1,946	5%	63%	37%	
	Sub-investment grade	270	63	23%		98%	2%
	Default without provision						
	Default with provision		11				
	Total	**42,085**	**2,020**	**5%**	**63%**	**37%**	**0%**
Institutions[1]	Investment grade	17,867	4,584	26%	37%	55%	8%
	Sub-investment grade	418	388	93%		66%	34%
	Default without provision	7		0%	100%		
	Default with provision						
	Total	**18,291**	**4,972**	**27%**	**36%**	**55%**	**9%**
Corporates	Investment grade	33,899	7,437	22%	43%	54%	3%
	Sub-investment grade	50,658	24,575	49%		72%	28%
	Default without provision	1,070	467	44%	100%		
	Default with provision	4,224	4,107	97%	17%	35%	48%
	Total	**89,851**	**36,586**	**41%**	**18%**	**63%**	**19%**
Retail	Investment grade	135,157	10,991	8%	78%	20%	2%
	Sub-investment grade	35,258	13,222	38%	64%	23%	13%
	Default without provision						
	Default with provision	3,196	4,434	139%	5%	77%	18%
	Total	**173,611**	**28,646**	**17%**	**74%**	**22%**	**5%**
Securitisation positions	Investment grade	2,434	237	10%	100%		
	Sub-investment grade						
	Default without provision						
	Default with provision						
	Total	**2,434**	**237**	**10%**	**100%**	**0%**	**0%**
Credit valuation adjustment	Investment grade						
	Sub-investment grade		1,264				
	Default without provision						
	Default with provision						
	Total		**1,264**				
Total	Investment grade	231,172	25,196	11%	67%	31%	2%
	Sub-investment grade	86,604	39,512	46%	26%	52%	22%
	Default without provision	1,077	467	43%	100%	0%	0%
	Default with provision	7,420	8,552	115%	12%	53%	35%
	Total[2]	**326,273**	**73,726**	**23%**	**55%**	**37%**	**8%**

1 Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
2 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

IRB approach: credit quality by exposure class Pillar 3 EDTF 15

					31 December 2013		
				Total	LGD 0% - 20%	LGD 20% - 50%	LGD > 50%
(in millions)		EAD	REA	Average REA	EAD (%)	EAD (%)	EAD (%)
Exposure class	**Grade category**						
Central governments and central banks	Investment grade	44,998	474	1%	76%	24%	
	Sub-investment grade	22	54	245%			100%
	Default without provision						
	Default with provision						
	Total	**45,020**	**528**	**1%**	**76%**	**24%**	**0%**
Institutions[1]	Investment grade	17,811	3,521	20%	7%	79%	14%
	Sub-investment grade	763	673	88%	3%	76%	21%
	Default without provision						
	Default with provision	8	7	88%		100%	
	Total	**18,582**	**4,201**	**23%**	**7%**	**79%**	**14%**
Corporates	Investment grade	28,999	7,820	27%	26%	70%	4%
	Sub-investment grade	52,775	26,949	51%	57%	43%	
	Default without provision	1,290	2,567	199%	75%	25%	
	Default with provision	4,415	1,684	38%	14%	86%	
	Total	**87,479**	**39,020**	**45%**	**45%**	**54%**	**1%**
Retail	Investment grade	135,764	8,050	6%	78%	21%	1%
	Sub-investment grade	35,202	14,742	42%	59%	28%	13%
	Default without provision						
	Default with provision	3,232	4,420	137%	72%	28%	
	Total	**174,198**	**27,212**	**16%**	**74%**	**23%**	**3%**
Securitisation positions	Investment grade	2,511	286	11%	100%		
	Sub-investment grade						
	Default without provision						
	Default with provision						
	Total	**2,511**	**286**	**11%**	**100%**	**0%**	**0%**
Total	Investment grade	230,083	20,151	9%	66%	32%	2%
	Sub-investment grade	88,762	42,418	48%	57%	37%	6%
	Default without provision	1,290	2,567	199%	75%	25%	0%
	Default with provision	7,655	6,111	80%	38%	62%	0%
	Total[2]	**327,790**	**71,247**	**22%**	**63%**	**34%**	**3%**

1 Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
2 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

European exposures

European government and government-guaranteed exposures Audited

(in billions)	31 December 2014 Government	Government guaranteed	Gross carrying amount	31 December 2013 Government	Government guaranteed	Gross carrying amount	31 December 2012 Government	Government guaranteed	Gross carrying amount
Netherlands	10.5		10.5	11.2		11.2	12.6		12.6
France	4.9		4.9	5.1		5.1	2.5		2.5
Germany	4.5		4.5	2.4		2.4	1.8		1.8
Austria	2.0		2.0	1.6		1.6	1.4		1.4
Belgium	3.2		3.2	2.6		2.6	0.8		0.8
European Union	1.6		1.6	1.3		1.3	1.0		1.0
Finland	2.2		2.2	1.1		1.1	0.7		0.7
Italy	1.0		1.0	0.5		0.5	0.4		0.4
Denmark	0.2		0.2	0.2		0.2			
Poland	0.4		0.4	0.3		0.3	0.3		0.3
United Kingdom	0.3		0.3	0.2		0.2	0.2		0.2
Spain	0.6		0.6	0.2		0.2	0.1		0.1
Luxembourg	0.2		0.2	0.1		0.1			
Sweden	0.3		0.3	0.1		0.1			
Switzerland	0.6		0.6	0.3		0.3			
Greece								1.0	1.0
Total[1]	**32.5**		**32.5**	**27.2**		**27.2**	**21.8**	**1.0**	**22.8**

[1] ABN AMRO had a trifling government and government-guaranteed exposure in Ireland at 31 December 2014 and no government and government-guaranteed exposures in Portugal and Russia at 31 December 2014, 31 December 2013 and 31 December 2012.

Specific products and types of financing Pillar 3

Exposure at Default for equities not held for trading Pillar 3

(in millions, Exposure at Default)	31 December 2014 EAD	REA	31 December 2013 EAD	REA
IRB - Private equity (190%)	588	1,118	329	625
IRB - Equity exposures subjected to risk weighting (250%)		1,985		
IRB - Exchanged traded (290%)	95	275	243	705
IRB - Other equity (370%)	441	1,631	379	1,403
Total	**1,124**	**5,009**	**951**	**2,733**

Exposure at Default for OTC derivatives Pillar 3

(in millions, Exposure at Default)	31 December 2014	31 December 2013
Gross positive fair value[1]	52,974	13,642
Add: Potential future exposure add-on	11,607	5,187
Gross Exposure at Default	**64,581**	**18,829**
Less: Netting benefits	51,079	9,689
Less: Collateral held		138
Net Exposure at Default	**13,502**	**9,002**

[1] Due to the implementation of CRD IV/CRR derivative exposures to central counterparties (CCP) are included as from 2014.

Additional information on forborne, past due and impaired loans

Forbearance credit quality Audited

(in millions)	Total forborne assets	Forborne assets not past due and not impaired	Forborne assets past due but not impaired	Impaired forborne assets	Specific allowance	Collective allowance	Total allowance
							31 December 2014
Loans and receivables - banks[1]							
Loans and receivables - customers							
Residential mortgages	1,814	872	490	453	28	81	109
Consumer loans	470	270	65	135	23	41	64
Commercial loans	6,698	4,295	500	1,903	824	59	883
Other loans and receivables - customers	92	30	33	29	8		8
Total Loans and receivables - customers[1]	**9,074**	**5,466**	**1,088**	**2,520**	**884**	**181**	**1,065**
Total	**9,074**	**5,466**	**1,088**	**2,520**	**884**	**181**	**1,065**

1 Excluding Securities financing due to the new presentation of the balance sheet.

Forbearance credit quality Audited

(in millions)	Total forborne assets	Forborne assets not past due and not impaired	Forborne assets past due but not impaired	Impaired forborne assets	Specific allowance	Collective allowance	Total allowance
							31 December 2013
Loans and receivables - banks[1]							
Loans and receivables - customers							
Residential mortgages	2,421	589	401	1,431	20	430	450
Other consumer loans	337	244	6	87	9	26	35
Commercial loans	6,273	4,433	194	1,646	754	57	811
Other loans and receivables - customers	160	25	135				
Total Loans and receivables - customers[1]	**9,191**	**5,291**	**736**	**3,164**	**783**	**513**	**1,296**
Total	**9,191**	**5,291**	**736**	**3,164**	**783**	**513**	**1,296**

1 Excluding Securities financing due to the new presentation of the balance sheet.

Forbearance credit quality Audited

(in millions)	Total forborne assets	Forborne assets not past due and not impaired	Forborne assets past due but not impaired	Impaired forborne assets	Specific allowance	Collective allowance	Total allowance
							31 December 2012
Loans and receivables - banks[1]							
Loans and receivables - customers							
Residential mortgages	1,777	603	19	1,155		254	254
Other consumer loans	205	127	35	43	5	14	19
Commercial loans	4,581	3,116	494	971	473	36	509
Other loans and receivables - customers	109	15	94				
Total Loans and receivables - customers[1]	**6,672**	**3,861**	**642**	**2,169**	**478**	**304**	**782**
Total	**6,672**	**3,861**	**642**	**2,169**	**478**	**304**	**782**

1 Excluding Securities financing due to the new presentation of the balance sheet.

Forborne assets by geography Audited

(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
						31 December 2014
Loans and receivables - banks[1]						
Loans and receivables - customers						
Residential mortgages	1,770	30			14	1,814
Consumer loans	456	13				470
Commercial loans	5,812	464	17	104	300	6,698
Other loans and receivables - customers	81	11				92
Total Loans and receivables - customers[1]	**8,120**	**518**	**17**	**104**	**314**	**9,074**
Total	**8,120**	**518**	**17**	**104**	**314**	**9,074**

1 Excluding Securities financing due to the new presentation of the balance sheet.

Forborne assets by geography Audited

(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
						31 December 2013
Loans and receivables - banks[1]						
Loans and receivables - customers						
Residential mortgages	2,331	90				2,421
Other consumer loans	316	20			1	337
Commercial loans	5,380	516	15	46	316	6,273
Other loans and receivables - customers	138	22				160
Total Loans and receivables - customers[1]	**8,165**	**648**	**15**	**46**	**317**	**9,191**
Total	**8,165**	**648**	**15**	**46**	**317**	**9,191**

1 Excluding Securities financing due to the new presentation of the balance sheet.

Forborne assets by geography Audited

(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
						31 December 2012
Loans and receivables - banks[1]						
Loans and receivables - customers						
Residential mortgages	1,699	78				1,777
Other consumer loans	195	9			1	205
Commercial loans	3,946	276		44	315	4,581
Other loans and receivables - customers	84	25				109
Total Loans and receivables - customers[1]	**5,924**	**388**		**44**	**316**	**6,672**
Total	**5,924**	**388**		**44**	**316**	**6,672**

[1] Excluding Securities financing due to the new presentation of the balance sheet.

Forborne assets by business segment Audited

(in millions)	31 December 2014	31 December 2013	31 December 2012
Retail Banking	2,092	2,536	1,873
Private Banking	276	311	126
Corporate Banking	6,706	6,344	4,673
Group Functions			
Total	**9,074**	**9,191**	**6,672**

Maturity of impaired exposures

(in millions)	Gross carrying amount	Impaired exposures	<= one year impaired	>one year & <= five years impaired	> five years impaired
					31 December 2014
Securities financing	**18,521**	**10**			**10**
Loans and receivables - banks[1]	**21,680**				
Loans and receivables - customers					
Residential mortgages[2]	152,536	1,478	1,038	426	13
Consumer loans[3]	16,052	868	320	490	57
Commercial loans[2]	86,299	4,989	1,515	2,666	809
Other loans and receivables - customers[4]	11,783	265	67	184	14
Total Loans and receivables - customers[1]	**266,670**	**7,601**	**2,941**	**3,766**	**894**
Other assets	**1,932**	**12**	**12**		
Total on-balance sheet	**308,804**	**7,622**	**2,952**	**3,766**	**904**
Total off-balance sheet	110,011	9	9		
Total	**418,815**	**7,632**	**2,962**	**3,766**	**904**

[1] Excluding Securities financing due to the new presentation of the balance sheet.
[2] Carrying amounts include fair value adjustment from hedge accounting.
[3] Consumer loans in the programme lending portfolio that are more than 90 days due are immediately impaired.
[4] Other loans and receivables - customers consist of Government and official institutions, Financial lease receivables and Factoring.

Maturity of impaired exposures

(in millions)	Gross carrying amount	Impaired exposures	<= one year impaired	>one year & <= five years impaired	> five years impaired
					31 December 2013
Securities financing	**18,386**	**23**		**23**	
Loans and receivables - banks[1]	**23,967**				
Loans and receivables - customers					
Residential mortgages[2]	154,024	1,739	1,273	451	15
Consumer loans[3]	16,241	887	449	415	23
Commercial loans[2]	84,330	5,038	1,729	2,745	564
Other loans and receivables - customers[4]	7,408	137	57	71	9
Total Loans and receivables - customers[1]	**262,003**	**7,801**	**3,508**	**3,682**	**611**
Other assets	2,187	13	13		
Total on-balance sheet	**306,543**	**7,837**	**3,521**	**3,705**	**611**
Total off-balance sheet	101,525	8	8		
Total	**408,068**	**7,845**	**3,529**	**3,705**	**611**

1 Excluding Securities financing due to the new presentation of the balance sheet.
2 Carrying amounts include fair value adjustment from hedge accounting.
3 Consumer loans in the programme lending portfolio that are more than 90 days due are immediately impaired.
4 Other loans and receivables - customers consist of Government and official institutions, Financial lease receivables and Factoring.

Maturity of allowances for impairments for identified credit risk

(in millions)	Impaired exposures	Allowances for Impairments for identified credit risk	<= one year impaired	>one year & <= five years impaired	> five years impaired
					31 December 2014
Securities financing	**10**	**-10**			**-10**
Loans and receivables - banks[1]					
Loans and receivables - customers					
Residential mortgages[2]	1,478	-408	-266	-132	-10
Consumer loans[3]	868	-533	-158	-338	-37
Commercial loans[2]	4,989	-3,017	-711	-1,611	-696
Other loans and receivables - customers[4]	265	-115	-48	-56	-11
Total Loans and receivables - customers[1]	**7,601**	**-4,073**	**-1,184**	**-2,136**	**-753**
Other assets	**12**	**-5**	**-5**		
Total on-balance sheet	**7,622**	**-4,088**	**-1,189**	**-2,136**	**-763**
Total off-balance sheet	9				
Total	**7,632**	**-4,089**	**-1,189**	**-2,136**	**-763**

1 Excluding Securities financing due to the new presentation of the balance sheet.
2 Carrying amounts include fair value adjustment from hedge accounting.
3 Consumer loans in the programme lending portfolio that are more than 90 days due are immediately impaired.
4 Other loans and receivables - customers consist of Government and official institutions, Financial lease receivables and Factoring.

Maturity of allowances for impairments for identified credit risk

					31 December 2013
(in millions)	Impaired exposures	Allowances for Impairments for identified credit risk	<= one year impaired	>one year & <= five years impaired	> five years impaired
Securities financing	**23**	**-23**		**-23**	
Loans and receivables - banks[1]					
Loans and receivables - customers					
Residential mortgages[2]	1,739	-472	-316	-147	-9
Consumer loans[3]	887	-512	-216	-283	-13
Commercial loans[2]	5,038	-3,237	-906	-1,779	-552
Other loans and receivables - customers[4]	137	-86	-22	-57	-7
Total Loans and receivables - customers[1]	**7,801**	**-4,307**	**-1,460**	**-2,266**	**-581**
Other assets	**13**	**-5**	**-5**		
Total on-balance sheet	**7,837**	**-4,335**	**-1,465**	**-2,289**	**-581**
Total off-balance sheet	8				
Total	**7,845**	**-4,335**	**-1,465**	**-2,289**	**-581**

1 Excluding Securities financing due to the new presentation of the balance sheet.
2 Carrying amounts include fair value adjustment from hedge accounting.
3 Consumer loans in the programme lending portfolio that are more than 90 days due are immediately impaired.
4 Other loans and receivables - customers consist of Government and official institutions, Financial lease receivables and Factoring.

Maturity analysis of assets and liabilities

Audited EDTF 20

The following table shows the financial assets and liabilities arranged by the earliest possible contractual maturity. This picture is not consistent with how we view and manage liquidity, as it does not take expected client behaviour and other factors into account. Most notably, this table does not reflect prepayment of mortgages and other loans and the fact that the behavioural maturities of client deposits are not in line with the contractual maturities. Financial investments relate to the liquidity buffer and can be liquidated quickly despite the longer contractual maturity.

Contractual maturity of assets and liabilities Audited EDTF 20

(in millions)	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	Maturity not applicable	Total
									31 December 2014
Assets									
Cash and balances at central banks	706							-0	706
Financial assets held for trading[1]	9,017							-0	9,017
Derivatives	19,826	11	34	293	167	959	3,995	-0	25,285
Financial investments	637	1,336	4,119	3,399	2,510	8,305	20,628	531	41,466
Securities financing	14,856	2,316	628		96	615			18,511
Loans and receivables - banks[2]	10,672	556	262	402	154	331	9,303	-0	21,680
Loans and receivables - customers[2]	18,218	13,324	3,788	14,468	20,952	21,307	169,851		261,910
Other assets[1]	2,978	199	1,585	596	223	205	1,393	1,112	8,292
Total assets	**76,911**	**17,742**	**10,417**	**19,158**	**24,101**	**31,723**	**205,171**	**1,643**	**386,867**
Liabilities									
Financial liabilities held for trading[1]	3,759							-0	3,759
Derivatives	18,262	20	71	145	387	1,813	9,750	-0	30,449
Securities financing	11,285	1,551	82			1,000			13,918
Due to banks[2]	5,910	925	441	258	105	4,372	3,732		15,744
Due to customers[2]	193,014	11,564	1,957	2,314	1,577	1,681	3,904		216,011
Issued debt	3,499	8,195	3,688	4,995	11,554	21,340	23,859		77,131
- of which senior secured				2,961	558	6,387	17,171		27,077
- of which senior unsecured	1,139	2,172	473	782	8,396	12,603	6,687		32,252
- of which securitisation		3,171	378	500	2,600	2,350			9,000
- of which other	2,360	2,852	2,837	753			-0		8,802
Subordinated liabilities	3				1,304	3,605	3,415	-0	8,328
Other liabilities[1]	1,969	150	439	479	580	5	335	2,695	6,652
Total liabilities	**237,701**	**22,405**	**6,679**	**8,191**	**15,508**	**33,816**	**44,995**	**2,695**	**371,990**
Total equity								**14,877**	**14,877**
Total liablities and equity	**237,701**	**22,405**	**6,679**	**8,191**	**15,508**	**33,816**	**44,995**	**17,572**	**386,867**
Off-balance sheet liabilities									
Committed credit facilities	16,164								16,164
Guarantees	2,592								2,592
Irrevocable facilities	5,499								5,499
Recourse risks arising from discounted bills	7,243								7,243
Total off-balance sheet liablities	**31,498**								**31,498**

1 Excluding Derivatives due to the new presentation of the balance sheet.
2 Excluding Securities financing due to the new presentation of the balance sheet.

Contractual maturity of assets and liabilities Audited EDTF 20

									31 December 2013
(in millions)	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	Maturity not applicable	Total
Assets									
Cash and balances at central banks	9,523								9,523
Financial assets held for trading[1]	12,019								12,019
Derivatives	11,880	11	19	48	354	631	1,328		14,271
Financial investments	455	935	610	1,302	2,173	6,761	15,374	501	28,111
Securities financing	14,593	1,959	869	301		98	542		18,362
Loans and receivables - banks[2]	16,448	491	227	133	18	137	6,513		23,967
Loans and receivables - customers[2]	21,809	7,790	1,799	12,809	24,799	20,324	167,698		257,028
Other assets[1]	2,335	79	109	583	51	176	1,687	3,721	8,741
Total assets	**89,062**	**11,265**	**3,633**	**15,176**	**27,395**	**28,127**	**193,142**	**4,222**	**372,022**
Liabilities									
Financial liabilities held for trading[1]	4,399								4,399
Derivatives	9,863	15	33	47	318	1,710	5,241		17,227
Securities financing	9,449	321	1,460	1	25	1,002	8		12,266
Due to banks[2]	6,035	2,576	390	180	251	166	2,028		11,626
Due to customers[2]	182,749	13,606	2,176	1,684	884	2,250	4,235		207,584
Issued debt	6,974	7,720	7,156	8,869	11,715	22,007	24,241		88,682
- of which senior secured			75	2,071	3,006	5,016	15,745		25,913
- of which senior unsecured	3,918	350	2,309	4,103	4,477	12,050	7,306		34,513
- of which securitisation		2,040	40	80	4,221	4,930	982		12,293
- of which other	3,056	5,330	4,732	2,615	11	11	208		15,963
Subordinated liabilities		51			3	3,053	4,810		7,917
Other liabilities[1]	1,017	2,489	881	795	4	5	698	2,864	8,753
Total liabilities	**220,486**	**26,778**	**12,096**	**11,576**	**13,200**	**30,193**	**41,261**	**2,864**	**358,454**
Total equity								**13,568**	**13,568**
Total liablities and equity	**220,486**	**26,778**	**12,096**	**11,576**	**13,200**	**30,193**	**41,261**	**16,432**	**372,022**
Off-balance sheet liabilities									
Committed credit facilities	13,764								13,764
Guarantees	3,534								3,534
Irrevocable facilities	5,415								5,415
Recourse risks arising from discounted bills	7,154								7,154
Total off-balance sheet liablities	**29,867**								**29,867**

1 Excluding Derivatives due to the new presentation of the balance sheet.
2 Excluding Securities financing due to the new presentation of the balance sheet.

Contractual maturity of assets and liabilities Audited EDTF 20

								31 December 2012	
(in millions)	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	Maturity not applicable	Total
Assets									
Cash and balances at central banks	9,796								9,796
Financial assets held for trading[1]	5,678	257	385	769					7,089
Derivatives	17,498	102	136	268	168	1,108	2,069		21,349
Financial investments	109	63	88	428	2,483	8,302	9,918	339	21,730
Securities financing	21,581	4,320	1,969	923					28,793
Loans and receivables - banks[2]	28,379	3,069	324	332	23	56			32,183
Loans and receivables - customers[2]	19,829	3,108	3,646	6,307	24,731	20,167	184,664		262,452
Other assets[1]	1,384	430	826	1,091	1,178	207	2,461	2,789	10,366
Total assets	**104,254**	**11,349**	**7,374**	**10,118**	**28,583**	**29,840**	**199,112**	**3,128**	**393,758**
Liabilities									
Financial liabilities held for trading[1]	2,516	219	329	658					3,722
Derivatives	16,511	176	274	556	214	2,039	7,738		27,508
Securities financing	16,551	2,490	211	269					19,521
Due to banks[2]	11,985	2,889	1,153	482	26	390	10		16,935
Due to customers[2]	180,297	7,436	3,531	2,151	1,371	2,591	4,228		201,605
Issued debt	5,890	17,143	5,505	6,943	14,138	22,762	22,667		95,048
- of which senior secured	2,043	332	124	1,088	2,204	6,070	16,288		28,149
- of which senior unsecured	1,190	680	864	3,163	9,494	8,379	5,212		28,982
- of which securitisation	1	1,861	1,301	1,410	2,160	8,251	1,167		16,151
- of which other	2,656	14,270	3,216	1,282	280	62			21,766
Subordinated liabilities	14	845	716	85	50	4,674	3,352		9,736
Other liabilities[1]	900	245	773	1,264	225	11	751	2,631	6,800
Total liabilities	**234,664**	**31,443**	**12,492**	**12,408**	**16,024**	**32,467**	**38,746**	**2,631**	**380,875**
Total equity								**12,883**	**12,883**
Total liablities and equity	**234,664**	**31,443**	**12,492**	**12,408**	**16,024**	**32,467**	**38,746**	**15,514**	**393,758**
Off-balance sheet liabilities									
Committed credit facilities	17,635								17,635
Guarantees	3,817								3,817
Irrevocable facilities	5,474								5,474
Recourse risks arising from discounted bills	7,486								7,486
Total off-balance sheet liablities	**34,412**								**34,412**

1 Excluding Derivatives due to the new presentation of the balance sheet.
2 Excluding Securities financing due to the new presentation of the balance sheet.

The following table provides a maturity analysis of the earliest contractual undiscounted cash flows for financial assets and liabilities. Financial assets and liabilities held for trading are recorded under On demand at fair value.

We believe this best represents the short-term nature and the cash flows of these activities. The contractual maturity of the instruments may be extended over significantly longer periods.

Maturity based on contractual undiscounted cash flows Audited

31 December 2014

(in millions)	On demand	Trading deriva-tives	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	No maturi-ty	Total
Assets:											
Cash and balances at central banks	611		95								706
Financial assets held for trading[1]	9,017										9,017
Derivatives		19,730	84	219	83	582	786	1,857	2,195		25,535
Financial investments			668	1,456	4,395	3,857	3,294	10,036	22,499		46,205
Securities financing	126		14,740	2,323	634	8	109	639			18,579
Loans and receivables - banks[2]	8,372		2,305	574	304	479	296	660	9,630		22,620
Loans and receivables - customers[2]	315		18,331	14,899	7,530	21,165	32,294	47,090	193,785		335,411
Other assets[1]	352		2,627	203	1,592	604	235	234	1,419	1,113	8,380
Total undiscounted assets	**18,794**	**19,730**	**38,851**	**19,674**	**14,539**	**26,694**	**37,014**	**60,515**	**229,529**	**1,113**	**466,453**
Gross settled derivatives not held for trading:											
Contractual amounts receivable			25	42	29	77	142	301	174		790
Contractual amounts payable			6	13	17	28	57	110	29		260
Total undiscounted gross settled derivatives not held for trading			**19**	**28**	**12**	**49**	**85**	**191**	**145**		**530**
Net settled derivatives not held for trading			65	191	58	529	693	1,653	1,990		5,178
Liabilities:											
Financial liabilities held for trading[1]	3,759										3,759
Derivatives		18,203	115	162	475	593	1,163	2,562	6,323		29,597
Securities financing	49		11,243	1,555	88	10	19	1,036			13,999
Due to banks[2]	1,974		3,943	946	489	345	267	4,712	3,910		16,586
Due to customers[2]	64,330		128,752	11,600	2,003	2,378	1,668	1,878	4,053		216,662
Issued debt	63		3,512	8,477	4,312	6,072	13,169	24,741	25,864		86,210
Subordinated liabilities			19	62	156	296	1,781	4,602	3,949		10,864
Other liabilities[1]	1,341		629	151	442	482	582	9	339	2,696	6,670
Total liabilities	**71,517**	**18,203**	**148,212**	**22,954**	**7,965**	**10,176**	**18,648**	**39,540**	**44,439**	**2,696**	**384,348**
Gross settled derivatives not held for trading:											
Contractual amounts receivable			8	1	8	17	31	30	5		100
Contractual amounts payable			4	2	2	30	34	34	7		112
Total undiscounted gross settled derivatives not held for trading			**-4**		**-6**	**14**	**3**	**4**	**1**		**12**
Net settled derivatives not held for trading			119	158	455	548	1,098	2,459	5,270		10,106
Net liquidity gap	**-52,723**	**1,527**	**-109,361**	**-3,280**	**6,574**	**16,518**	**18,367**	**20,975**	**185,090**	**-1,583**	**82,105**
Off balance sheet liabilities											
Committed credit facilities	16,164										16,164
Guarantees	2,592										2,592
Irrevocable facilities	5,499										5,499
Recourse risks arising from discounted bills	7,243										7,243
Total off-balance sheet liabilities	**31,498**										**31,498**

1 Excluding Derivatives due to the new presentation of the balance sheet.
2 Excluding Securities financing due to the new presentation of the balance sheet.

Maturity based on contractual undiscounted cash flows Audited

31 December 2013

(in millions)	On demand	Trading derivatives	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	No maturity	Total
Assets:											
Cash and balances at central banks	9,523										9,523
Financial assets held for trading[1]	11,840		20								11,860
Derivatives		11,998	59	178	73	491	932	2,146	1,959		17,836
Financial investments			464	971	696	1,457	2,438	7,343	15,771	542	29,682
Securities financing	7,021		7,579	1,967	878	310	15	131	596		18,497
Loans and receivables - banks[2]	3,751		12,704	502	257	171	124	384	6,757		24,650
Loans and receivables - customers[2]	2		22,240	9,335	5,532	19,573	36,035	45,848	191,451		330,016
Other assets[1]	389		1,980	148	214	790	245	115	1,658	3,730	9,269
Total undiscounted assets	**32,526**	**11,998**	**45,046**	**13,101**	**7,650**	**22,792**	**39,789**	**55,967**	**218,192**	**4,272**	**451,333**
Gross settled derivatives not held for trading:											
Contractual amounts receivable			8	21	34	57	117	299	165		701
Contractual amounts payable			5	5	11	20	40	119	29		229
Total undiscounted gross settled derivatives not held for trading			**3**	**16**	**23**	**37**	**77**	**180**	**136**		**472**
Net settled derivatives not held for trading			32	154	33	447	622	1,895	1,650		4,833
Liabilities:											
Financial liabilities held for trading[1]	4,378		21								4,399
Derivatives		9,849	117	199	483	554	1,306	4,001	6,587		23,096
Securities financing	3,064		6,391	328	1,471	13	47	1,044	8		12,366
Due to banks[2]	1,942		4,102	2,597	422	230	336	357	2,189		12,175
Due to customers[2]	60,916		121,913	13,653	2,231	1,763	1,012	2,527	4,434		208,449
Issued debt			7,020	7,886	7,523	9,463	12,597	23,862	25,330		93,681
Subordinated liabilities			12	101	125	238	453	4,030	5,467		10,426
Other liabilities[1]	639		393	2,511	1,029	1,106	32	44	482	2,744	8,980
Total liabilities	**70,939**	**9,849**	**139,969**	**27,275**	**13,284**	**13,367**	**15,783**	**35,865**	**44,497**	**2,744**	**373,572**
Gross settled derivatives not held for trading:											
Contractual amounts receivable			3	3	16	21	40	72	8		163
Contractual amounts payable			11	4	13	29	54	97	12		220
Total undiscounted gross settled derivatives not held for trading			**8**	**1**	**-3**	**8**	**14**	**25**	**4**		**57**
Net settled derivatives not held for trading			97	182	454	525	1,235	3,687	6,099		12,279
Net liquidity gap	**-38,413**	**2,149**	**-94,923**	**-14,174**	**-5,634**	**9,425**	**24,006**	**20,102**	**173,695**	**1,528**	**77,761**
Off balance sheet liabilities											
Committed credit facilities	13,764										13,764
Guarantees	3,534										3,534
Irrevocable facilities	5,415										5,415
Recourse risks arising from discounted bills	7,154										7,154
Total off-balance sheet liabilities	**29,867**										**29,867**

1 Excluding Derivatives due to the new presentation of the balance sheet.
2 Excluding Securities financing due to the new presentation of the balance sheet.

Maturity based on contractual undiscounted cash flows Audited

31 December 2012											
(in millions)	On demand	Trading derivatives	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	No maturity	Total
Assets:											
Cash and balances at central banks	9,749		47								9,796
Financial assets held for trading[1]	5,555		124	256	385	769					7,089
Derivatives	1	17,254	72	188	166	332	657	1,970	1,512		22,152
Financial investments	1		122	121	232	697	2,935	9,264	10,501	339	24,212
Securities financing	90		21,532	4,331	1,978	925					28,856
Loans and receivables - banks[2]	7,703		20,664	3,076	327	333	24	58			32,185
Loans and receivables - customers[2]	3,434		16,845	4,744	7,636	13,661	37,171	48,493	211,276		343,260
Other assets[1]	3		1,611	541	982	1,390	1,227	606	2,735	2,789	11,884
Total undiscounted assets	**26,536**	**17,254**	**61,017**	**13,257**	**11,706**	**18,107**	**42,014**	**60,391**	**226,024**	**3,128**	**479,434**
Gross settled derivatives not held for trading:											
Contractual amounts receivable			12	76	29	57	157	471	292		1,094
Contractual amounts payable			24	5	11	21	57	171	38		327
Total undiscounted gross settled derivatives not held for trading			**-12**	**71**	**18**	**36**	**100**	**300**	**254**		**767**
Net settled derivatives not held for trading			84	117	148	296	556	1,669	1,258		4,129
Liabilities:											
Financial liabilities held for trading[1]	2,409		106	219	329	658					3,721
Derivatives	3	16,376	485	110	650	1,137	1,683	5,069	7,779		33,292
Securities financing	1,371		15,187	2,493	212	269					19,532
Due to banks[2]	2,372		9,625	2,908	1,166	492	39	415	11		17,028
Due to customers[2]	61,234		119,201	7,487	3,610	2,258	1,533	2,940	4,465		202,728
Issued debt	3		5,966	17,423	6,077	7,908	15,526	25,660	24,292		102,855
Subordinated liabilities			25	889	815	266	391	5,388	3,693		11,467
Other liabilities[1]	689		1	27	92	5	260	92	826	2,631	4,623
Total liabilities	**68,081**	**16,376**	**150,596**	**31,556**	**12,951**	**12,993**	**19,432**	**39,564**	**41,066**	**2,631**	**395,246**
Gross settled derivatives not held for trading:											
Contractual amounts receivable			1	2	16	32	49	148	29		277
Contractual amounts payable			9	2	11	21	38	115	19		215
Total undiscounted gross settled derivatives not held for trading			**8**		**-5**	**-11**	**-11**	**-33**	**-10**		**-62**
Net settled derivatives not held for trading			375	178	396	793	1,654	4,964	7,376		15,736
Net liquidity gap	**-41,545**	**878**	**-89,579**	**-18,299**	**-1,245**	**5,114**	**22,582**	**20,827**	**184,958**	**497**	**84,188**
Off balance sheet liabilities											
Committed credit facilities	17,635										17,635
Guarantees	3,817										3,817
Irrevocable facilities	5,474										5,474
Recourse risks arising from discounted bills	7,486										7,486
Total off-balance sheet liabilities	**34,412**										**34,412**

1 Excluding Derivatives due to the new presentation of the balance sheet.
2 Excluding Securities financing due to the new presentation of the balance sheet.

governance report

This report presents an overview of ABN AMRO's corporate governance framework, including the Supervisory Board report and the Remuneration report.

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corporate governance

This section provides an overview of corporate governance at ABN AMRO, including the composition of the Managing Board and the Supervisory Board.

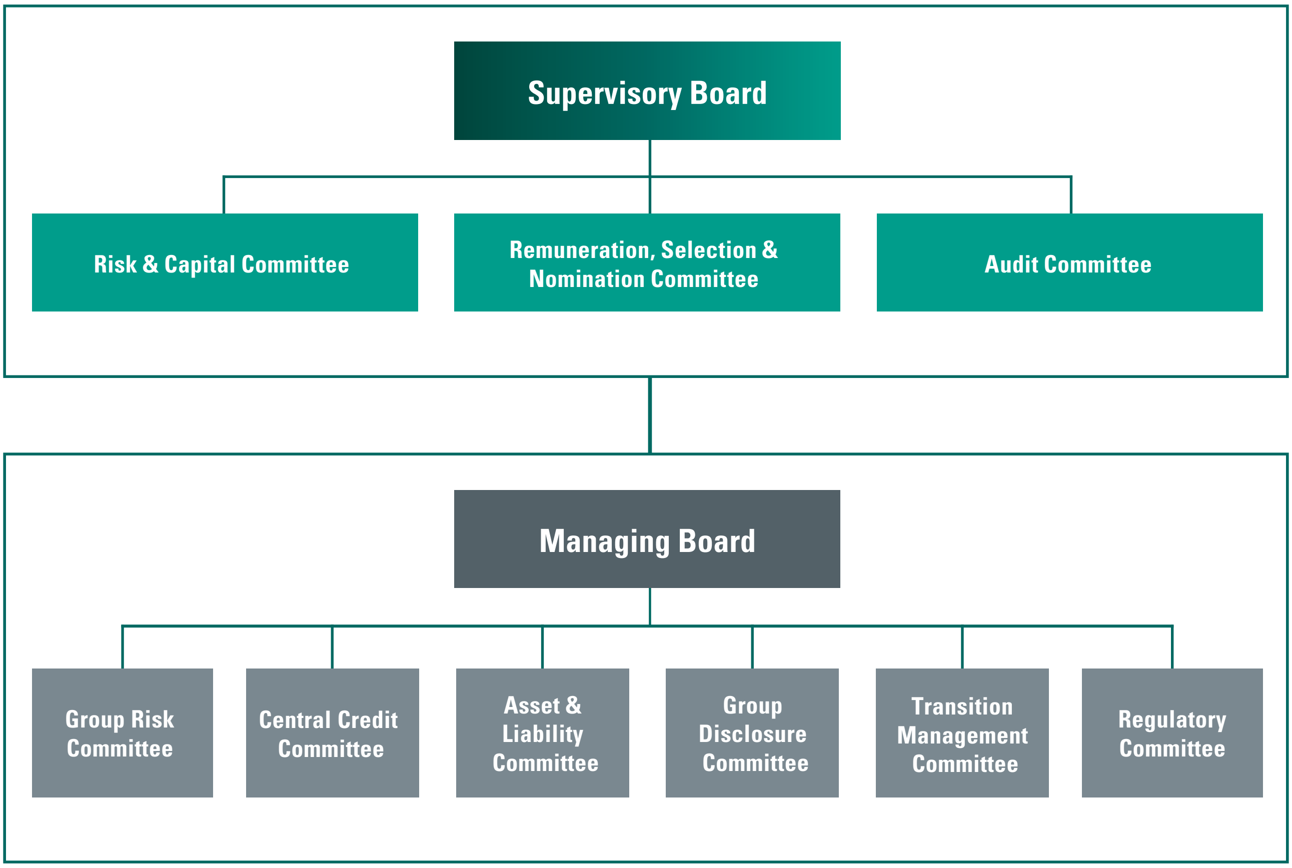
Overview

Good corporate governance is critical for us to realise our strategic ambition of being a trusted and professional partner for all our stakeholders, including clients, our shareholder, investors, employees and society at large. Corporate governance gives meaning to who we are, what we stand for, what we aim for, how we make and implement decisions and how we connect with each other and the world around us. The Managing Board and Supervisory Board underpin the importance of good corporate governance and exert all efforts to be a frontrunner in corporate governance.

In 2014, we launched a number of initiatives to further strengthen our corporate governance. Among other things, the Managing Board decided to install the Regulatory Committee to oversee the bank's adoption of regulatory changes. In addition, monitoring of implementation of the corporate strategy has been strengthened and is discussed frequently in the Managing Board and Supervisory Board meetings.

Corporate Structure

ABN AMRO Bank is a public company with limited liability incorporated on 9 April 2009 under Dutch law. The company has a two-tier board consisting of a Managing Board and a Supervisory Board. The composition of the Supervisory Boards of ABN AMRO Bank and ABN AMRO Group are the same, as are the composition of the Managing Boards of ABN AMRO Bank and ABN AMRO Group and the committees of these boards. Pursuant to article 2:154 of the Dutch Civil Code, the full structure regime (*volledig structuurregime*) applies to ABN AMRO Bank.


Supervisory Board
Risk & Capital Committee
Remuneration, Selection & Nomination Committee
Audit Committee
Managing Board
Group Risk Committee
Central Credit Committee
Asset & Liability Committee
Group Disclosure Committee
Transition Management Committee
Regulatory Committee

Managing Board

Managing Board
Kees van Dijkhuizen, Wietze Reehoorn, Johan van Hall, Gerrit Zalm, Chris Vogelzang, Joop Wijn, Caroline Princen

Composition

The Supervisory Board determines the number of members of the Managing Board, the minimum being two people.

With the exception of Mr Van Dijkhuizen, who was appointed in 2013 for a period of four years, all members of the Managing Board were reappointed at the General Meeting of Shareholders, held on 10 April 2014, for a period of four years, which is the maximum period for appointments and reappointments according to the best practice provision II.1.1 of the Dutch Corporate Governance Code. The Managing Board members were reappointed, taking into due consideration their performance during the previous four-year term and the strategic goals of ABN AMRO in the upcoming years.

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

The composition of the Managing Board matches the Managing Board profile in terms of combined experience and expertise, and mixture of age and gender.
The members of the Managing Board have thorough knowledge of the financial sector in general and the banking sector in particular, and they collectively have broad experience in the fields of governance, organisation and communication, products, services and markets within ABN AMRO's scope of activities. They also have profound knowledge of sound and controlled operational policies and processes, enabling them to make balanced and consistent decisions. ABN AMRO will continue to strive to meet the gender target set by Dutch law for future appointments and reappointments to the Managing Board, in line with ABN AMRO's diversity policy, while safeguarding the required continuity in the discharge of the Managing Board's collective tasks and responsibilities.

Responsibilities

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

Appointment, suspension and dismissal

Managing Board members are appointed by the General Meeting of Shareholders from candidates nominated by the Supervisory Board. If the candidate nominated by the Supervisory Board is not appointed, the Supervisory Board is asked to nominate a new candidate. The General Meeting of Shareholders can only reject a nomination if there are serious reasons relating to the person of the proposed Managing Board member which are not related to the commercial policy of ABN AMRO. The Chairman of the Managing Board is appointed by the Supervisory Board from among the members of the Managing Board.

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

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

Managing Board committees

The Managing Board has established a number of committees that are responsible for decision-making on certain subjects and for advising the Managing Board on certain matters. These committees include three risk-related committees: ABN AMRO Risk Committee, the Asset & Liability Committee and the Central Credit Committee. More information on the delegated authority of these risk-related committees is provided in the Risk & Capital report. In addition, the Managing Board has installed a Group Disclosure Committee, responsible for advising on financial disclosures of the bank, the Transition Management Committee, which is responsible for coordinating a number of bank-wide projects, and the Regulatory Committee, which is responsible for maintaining oversight on the changing regulatory landscape and how ABN AMRO is adapting to it, taking care of and reporting on regulatory changes and the preparation of decision-making related to such regulatory changes. With regard to the IPO the Managing Board has installed the IPO Steering Committee, which is mandated to monitor, assess and manage the progress, overall planning and timelines for the preparation and execution of the IPO.

Composition of the Managing Board

Gerrit Zalm Chairman

Johan van Hall Chief Operating Officer/Vice-Chairman

Kees van Dijkhuizen Chief Financial Officer

Caroline Princen People, Regulations & Identity

Wietze Reehoorn Chief Risk Officer and Strategy

Chris Vogelzang Retail Banking and Private Banking

Joop Wijn Corporate Banking

Gerrit Zalm (Dutch, 1952)
Chairman
Appointed on 9 April 2009 (ABN AMRO Bank).
Present term expires in 2018.
Supervisory positions: Non-executive Director, Royal Dutch Shell.
Other positions: Chairman Advisory Council, 'Wigo-4it', a cooperative effort of the social assistance organisations of the four largest cities in the Netherlands. Member of Board, Dutch Banking Association. Chairman, Board of Governors National Academy for Finance and Economics.

Kees van Dijkhuizen (Dutch, 1955)
Chief Financial Officer
Appointed on 1 May 2013 (ABN AMRO Bank).
Present term expires in 2017.
Supervisory positions: Member of Board of Trustees, Museum Meermanno.
Other positions: Member of Board, Duisenberg School of Finance. Member, AFM Capital Market Commission. Chairman of Committee on Supervision of Dutch Banking Association. Chairman of Government Committee on Export, Import and Investment guarantees.

Wietze Reehoorn (Dutch, 1962)
Chief Risk Officer and Strategy
Appointed on 1 April 2010 (ABN AMRO Bank).
Present term expires in 2018.
Supervisory positions: Member of Supervisory Board, Rijksuniversiteit Groningen. Member of Supervisory Board, Foundation Amsterdam Institute of Finance. Member of Supervisory Board, Foundation Topsport Community.
Other positions: Member of Board, Abe Bonnema Foundation.

Joop Wijn (Dutch, 1969)
Corporate Banking
Appointed on 1 April 2010 (ABN AMRO Bank).
Present term expires in 2018.
Supervisory positions: Member of Supervisory Board, Schiphol Group. Member of Supervisory Board, Royal Jaarbeurs Utrecht. Member of Supervisory Board, Stadsherstel Amsterdam N.V.
Other positions: Chairman of Board, Oranje Fonds. Member of Board, VNO-NCW. Chairman, Foundation Kunst & Historisch Bezit ABN AMRO.

Johan van Hall (Dutch, 1960)
Chief Operating Officer / Vice-Chairman
Appointed on 9 April 2009 (ABN AMRO Bank).
Present term expires in 2018.
Supervisory positions: Member of Supervisory Board, Equens SE (pan-European processor of payments and cards).
Other positions: Member, Central Commission for Statistics (CCS). Member of Board, Nyenrode Europe India Institute. Chairman, Foundation ABN AMRO Support for SUPPORT.

Caroline Princen (Dutch, 1966)
People Regulations & Identity
Appointed on 1 April 2010 (ABN AMRO Bank).
Present term expires in 2018.
Supervisory positions: Member of Supervisory Board, Filminstitute EYE. Member of Supervisory Board, UMC Utrecht.
Other positions: Member of Board, Foundation VUmc Alzheimercentrum. Chairperson, ABN AMRO Foundation.

Chris Vogelzang (Dutch, 1962)
Retail Banking and Private Banking
Appointed on 9 April 2009 (ABN AMRO Bank).
Present terms expires in 2018.
Supervisory positions: Member of Supervisory Board, Hespri Holding B.V. Member of Supervisory Board, Foundation Prins Bernhard Cultuurfonds.
Other positions: Member of Board, Dutch Banking Association. Treasurer, Stichting Fotografiemuseum Amsterdam (FOAM).

Supervisory Board

Supervisory Board
Annemieke Roobeek, Peter Wakkie, Marjan Oudeman, Rik van Slingelandt, Hans de Haan, Steven ten Have, Bert Meerstadt, Olga Zoutendijk

Composition

The General Meeting of Shareholders determines the minimum number of members of the Supervisory Board, which must in any case be at least three people. The Supervisory Board has drawn up a profile for its size and composition and taking into account the nature of its business, its activities and the desired expertise and background of its members. This profile was discussed in the General Meeting of Shareholders and with the Employee Council. The full profile of the Supervisory Board is available on abnamro.com, as an annex to the Rules of Procedure of the Supervisory Board.

In accordance with the best practice provisions of the Dutch Corporate Governance Code, Supervisory Board members at ABN AMRO are appointed for a maximum of three 4-year terms. The terms of most Supervisory Board members expired at the General Meeting of Shareholders of 2014. To allow for more diversity in the expiry dates of the appointments, several resolutions on the reappointment of the Supervisory Board members were taken.

Consequently, Mr De Haan was reappointed until the General Meeting of 2015, Ms Roobeek and Mr Wakkie until the General Meeting of 2017 and Mr Ten Have, Mr Meerstadt and Ms Oudeman until the General Meeting of 2018 respectively. Mr Van Slingelandt was reappointed as a member of the Supervisory Board until the General Meeting of 2016 and was appointed as Chairman of the Supervisory Board for the same period, since Mr Lindenbergh decided not to apply for reappointment. For the same reason, Ms Zoutendijk was appointed as a member of the Supervisory Board, effective as from 1 July 2014.

The Supervisory Board evaluates on an annual basis its own functioning and is of the opinion that its current composition matches the Supervisory Board profile in terms of combined experience and expertise, independence and variety of ages and genders.
The Supervisory Board carried out a review of its own performance over full-year 2014 that was completed in the first quarter of 2015. The self-assessments include an evaluation of the effectiveness of the introductory and lifelong learning programmes.

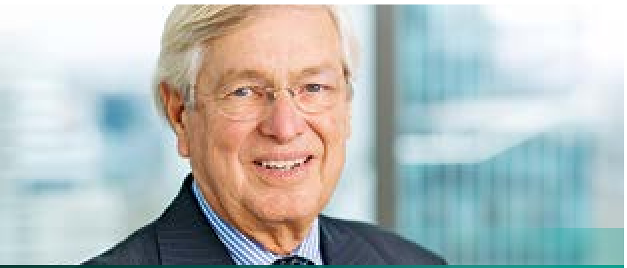
Important topics covered in the evaluation are the Supervisory Board's role with respect to strategy, risk management and internal control, culture and behaviour within the organisation, the dynamics between the Supervisory Board members, the composition and expertise of the Supervisory Board, and the functioning of the Committees of the Supervisory Board. The effectiveness of the procedures for the meetings of the Supervisory Board are also part of the evaluation. The self-assessments are supported by an independent corporate advisory firm.

The Supervisory Board has at its disposal expertise relating to management and organisation, cost management, accountancy and business economics, the Dutch and international banking sectors, risk management, remuneration and human resources, sustainability and corporate social responsibility, international issues, legal matters, the development of products and services, and the markets in which the bank is active. The Supervisory Board has at least three financial experts. An overview of the current composition of the Supervisory Board, including key information on the backgrounds and terms of office of each Board member, is provided in the Composition of the Supervisory Board section of this chapter and on abnamro.com.

All members of the Supervisory Board passed the fit and proper test of DNB under the Dutch Financial Supervision Act (*Wet op het financieel toezicht*). The Supervisory Board confirms that all members of the Supervisory Board are independent within the meaning of provision III.2.2 of the Dutch Corporate Governance Code.

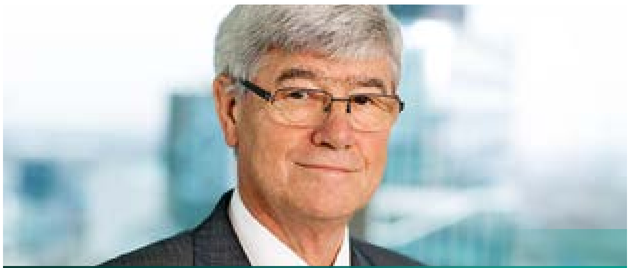
The procedure with respect to the reappointment of the Supervisory Board members is described below under 'Appointment, suspension and dismissal'. The procedure takes into account the diversity target mentioned in the Dutch One-Tier Board Act. More information on the reappointment process of members of the Supervisory Board is provided in the Supervisory Board report of this Annual Report. The Supervisory Board has adopted a retirement and reappointment schedule, reflecting the abovementioned appointments and reappointments, which is available in the Supervisory Board's Rules of Procedure published on abnamro.com.

Composition of the Supervisory Board



Rik van Slingelandt Chairman

Peter Wakkie Vice-Chairman



Hans de Haan

Steven ten Have

Bert Meerstadt

Marjan Oudeman

Annemieke Roobeek

Olga Zoutendijk

Rik van Slingelandt (Dutch, 1946)
Chairman
First appointed on 27 October 2010. Present term expires in 2016.
Last position held: Member of Managing Board of Rabobank.
Supervisory positions: Supervisory Director, Kahn Holding B.V.
Other positions: Member of Board, Stichting Neyenburgh.

Hans de Haan (Dutch, 1944)
Member
First appointed on 1 April 2010. Present term expires in 2015.
Last position held: Chartered accountant and partner with Ernst & Young Accountants.
Other positions: Chairman of Board Stichting Lehman Brothers Treasury Co. Member of Board, Stichting Trustee Achmea Hypotheekbank.

Bert Meerstadt (Dutch, 1961)
Member
First appointed on 1 April 2010. Present term expires in 2018.
Current position: CEO of Baarsma Wine Group Holding.
Supervisory positions: Member of Supervisory Board, Lucas Bols Holding N.V. Non-executive director, Talgo.
Other positions: Chairman of Board, Friends of Concertgebouw and Royal Concertgebouw Orchestra. Member of Board Society for Prevention and Saving of Drowning Victims. Chairman of Board, Stichting Blinden-Penning (Foundation for the Blind and Visually Impaired).

Annemieke Roobeek (Dutch, 1958)
Member
First appointed on 1 April 2010. Present term expires in 2017.
Current position: Professor of Strategy and Transformation Management (Nyenrode Business Universiteit) and director and co-owner of MeetingMoreMinds B.V., Open Dialogue B.V. and co-owner XL Labs B.V.
Supervisory positions: Member of Supervisory Board, Abbott Healthcare Products B.V. Member of Supervisory Board, KLM N.V.
Other positions: Member Advisory Board, Koninklijke Horeca Nederland. Member, PGGM Advisory Board for Responsible Investment. Chairperson, Vereniging REFILL. Chairperson of Stichting INSID, Foundation for sustainability and innovation realisation directed by His Royal Highness Prince Carlos de Bourbon Parma. Member of Board, Foundation of the Medical Centre of Vrije Universiteit Amsterdam. Member, Raad van Eigen Wijzen CPI Governance. Member, Sirius Leading Expert for Excellence in Higher Education.

Peter Wakkie (Dutch, 1948)
Vice Chairman
First appointed on 1 April 2010. Present term expires in 2017[1].
Current position: Lawyer at law firm Spinath & Wakkie B.V.
Supervisory positions: Chairman of Supervisory Board, Wolters Kluwer N.V. Chairman of Supervisory Board, TomTom N.V. Member of Supervisory Board, BCD Holdings N.V.
Other positions: Member of Board, VEUO.

Steven ten Have (Dutch, 1967)
Member
First appointed on 1 April 2010. Present term expires in 2018.
Current position: Partner with Ten Have Change Management and professor of Strategy & Change at Vrije Universiteit in Amsterdam.
Supervisory positions: Chairman, Software Improvement Group (SIG).
Other positions: Chairman, Postgraduate study Change Management, Vrije Universiteit, Amsterdam. Member, Onderwijsraad. Member of Board, Stichting INK (Instituut Nederlandse Kwaliteit) (Institute for Netherlands Quality). Chairman, Foundation Center for Evidence Based Management.

Marjan Oudeman (Dutch, 1958)
Member
First appointed on 1 April 2010. Present term expires in 2018.
Current Position: President of Executive Board of Utrecht University.
Supervisory positions: Member of Supervisory Board, Statoil ASA. Member of the Board, SHV Holdings N.V. Member of the Board, Koninklijke Ten Cate N.V. Member of Board of Directors, Concertgebouw N.V. Member of Supervisory Board, Rijksmuseum.
Other positions: Governor of Nationaal Comité 4 en 5 mei (the National Committee 4 and 5 May).

Olga Zoutendijk (Dutch, 1961)
Member
Appointed on 1 July 2014. Present term expires in 2018.
Last position held: Group Head Wholesale Banking Standard Chartered Bank.

[1] Resigned 31 March 2015, see note 36 Post balance sheet events for further information.

Responsibilities

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

More information on the activities of the Supervisory Board in 2014 is provided in the the Supervisory Board Report in this Annual Report.

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

Appointment, suspension and dismissal

Members of the Supervisory Board are appointed by the General Meeting of Shareholders following nomination by the Supervisory Board. A nomination may be rejected by the General Meeting of Shareholders by a special majority.

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

The Supervisory Board has the authority to suspend its members at all times. The entire Supervisory Board can only be dismissed by the General Meeting of Shareholders. In accordance with Dutch law, individual members of the Supervisory Board can only be dismissed by court order following a suspension by the Supervisory Board.

Supervisory Board committees

Composition

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

Audit Committee

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

Remuneration, Selection & Nomination Committee

The responsibilities of the Remuneration, Selection & Nomination Committee include preparation of the selection, nomination and re-nomination of the members of the Supervisory and Managing Boards. To this end, the committee is involved in drafting selection criteria and appointment procedures, and in preparing and periodically reviewing succession plans for these boards.

The committee periodically assesses the performance of the members of both boards. Its remuneration-related tasks include advising the Supervisory Board on remuneration for both members of the Managing Board and selected members of senior management responsible for the control functions and reward policies for other Identified Staff.

Risk & Capital Committee

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

IPO Special Committee

In order to obtain advise on recurring topics regarding the possible IPO and to prepare related decision-making, the Supervisory Board appointed an additional committee from amongst its members, consisting of four members: Rik van Slingelandt, Peter Wakkie, Hans de Haan and Steven ten Have.

Introduction programme and lifelong learning programme

Introduction programme

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

Lifelong learning programme

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

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

Topics covered in 2014 include social, political and economic developments in Brazil, standardised lending and the application of related risk management principles, sustainability, developments in the regulatory field and financial derivatives. Other workshops focused on operational risk management and trends in leadership, talent management and other HR issues. The Supervisory and Managing Boards visited the Technology, Operations & Property Services (TOPS) department. They were shown the approach to innovation and the local branch in The Hague, where they were informed of the different business lines present in the region. In addition to the workshops and company visits in the lifelong learning programme, the members of the Supervisory and Managing Boards participated in deep dive sessions on different topics during scheduled meetings. These sessions also serve an informative and educational purpose. For example, one of the topics covered was regulatory reporting.

Corporate Governance Codes and Regulations

Dutch Corporate Governance Code

We believe that corporate governance that meets high international standards significantly boosts confidence in companies. As such, compliance with the applicable corporate governance codes by financial institutions contributes significantly to restoring trust in the financial sector as a whole.

We are pleased to confirm that throughout 2014, ABN AMRO complied with the applicable principles and best practice provisions of the Dutch Corporate Governance Code.

Dutch Banking Code

The Dutch Banking Code was introduced in 2010 to ensure that banks commit to and account for treating their customers with care while balancing the interests of various stakeholders. This Code sets out principles that banks with a banking licence issued by DNB should observe in terms of corporate governance, risk management, audit and remuneration.

We are committed to complying with the Dutch Banking Code and devote a great deal of effort to ensure that the spirit of the code is reflected in the behaviour of employees and in the culture of the bank. As such, we are pleased to confirm that ABN AMRO Bank complies with the principles of the Dutch Banking Code 2010.

A principle-by-principle overview of the manner in which ABN AMRO Bank complies with the Dutch Banking Code 2010 is published on abnamro.com. Throughout 2014 we continued to improve the manner in which we apply the principles of the Dutch Banking Code across the entire group, taking into account the focus areas indicated by the Dutch Banking Code Monitoring Committee in advance of the renewal of the Dutch Banking Code and Social Charter.

The updated Dutch Banking Code came into effect on 1 January 2015, along with the Social Charter (*Maatschappelijk Statuut*) which is complementary to the Dutch Banking Code. The updated Dutch Banking Code takes into account the recommendations of the Banking Code Monitoring Commission, the report of the Committee on the Structure of Banks, the government's view on the Dutch banking industry and the vision of the Dutch Banking Association (of which ABN AMRO is a member). The new Dutch Banking Code, along with the introduction of the Social Charter and implementation of the Banker's Oath (together with the associated rules of conduct and disciplinary rules) applicable to all employees of financial institutions in the Netherlands, emphasise the social role of banks and their commitment to meeting the expectations of society at large.

All members of the Supervisory Board and Managing Board of ABN AMRO took the Banker's Oath on 4 July 2013. Taking the oath has been required by law since 1 January 2013. The oath is a confirmation of ABN AMRO's existing policy, which is fully in line with the bank's business principles and core values. Along with the introduction of a Social Charter and the update of the Dutch Banking Code, the Dutch banking industry has taken the initiative to have all employees take the Banker's Oath. ABN AMRO is implementing this in the first quarter of 2015. Employees will take the oath so that they will be personally responsible for complying with these rules of conduct and may be held accountable for non-compliance in the near future.

Subsidiaries of ABN AMRO Bank and the Dutch Banking Code

On 31 December 2014, ABN AMRO Bank had four Dutch subsidiaries with a banking licence: ABN AMRO Clearing Bank N.V., ABN AMRO Groenbank B.V., ABN AMRO Hypotheken Groep B.V. and International Card Services B.V. ABN AMRO applies the principles of the Dutch Banking Code to all of these Dutch bank subsidiaries on a consolidated basis. An explanation of the manner in which the Dutch bank subsidiaries comply with the Dutch Banking Code is published on abnamro.com.

Subsidiaries and international governance

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

International governance is in place to meet the requirements of our international organisation and both the home and host regulators. An annual review is performed to ensure alignment with the international growth plans and changes in the regulatory environment.

An overview of ABN AMRO's main subsidiaries and a description of their activities is provided in the Legal structure paragraph of this section.

General Meeting of Shareholders

At least one General Meeting of Shareholders is normally held each year within six months of the close of the financial year. The agenda for the annual General Meeting of Shareholders must contain certain matters as specified in ABN AMRO's Articles of Association and under Dutch law, including, among other things, the adoption of the Annual Financial Statements. The General Meeting of Shareholders is also entitled to approve important decisions regarding the identity or the character of ABN AMRO, including major acquisitions and divestments. The Supervisory Board, the Managing Board or shareholders representing at least 10% of the issued share capital may convene additional extraordinary General Meetings of Shareholders at any time.

The annual General Meeting of Shareholders of ABN AMRO Bank N.V. was held on 10 April 2014. Agenda items included adoption of the 2013 Abbreviated statutory Financial Statements, the dividend for the year 2013 and the reappointment of Managing Board and Supervisory Board members, as well as the appointment of Mr Van Slingelandt as Chairman of the Supervisory Board. In 2014, the General Meeting of Shareholders passed three resolutions outside a meeting, among other things for the appointment of Ms Zoutendijk as a new member of the Supervisory Board.

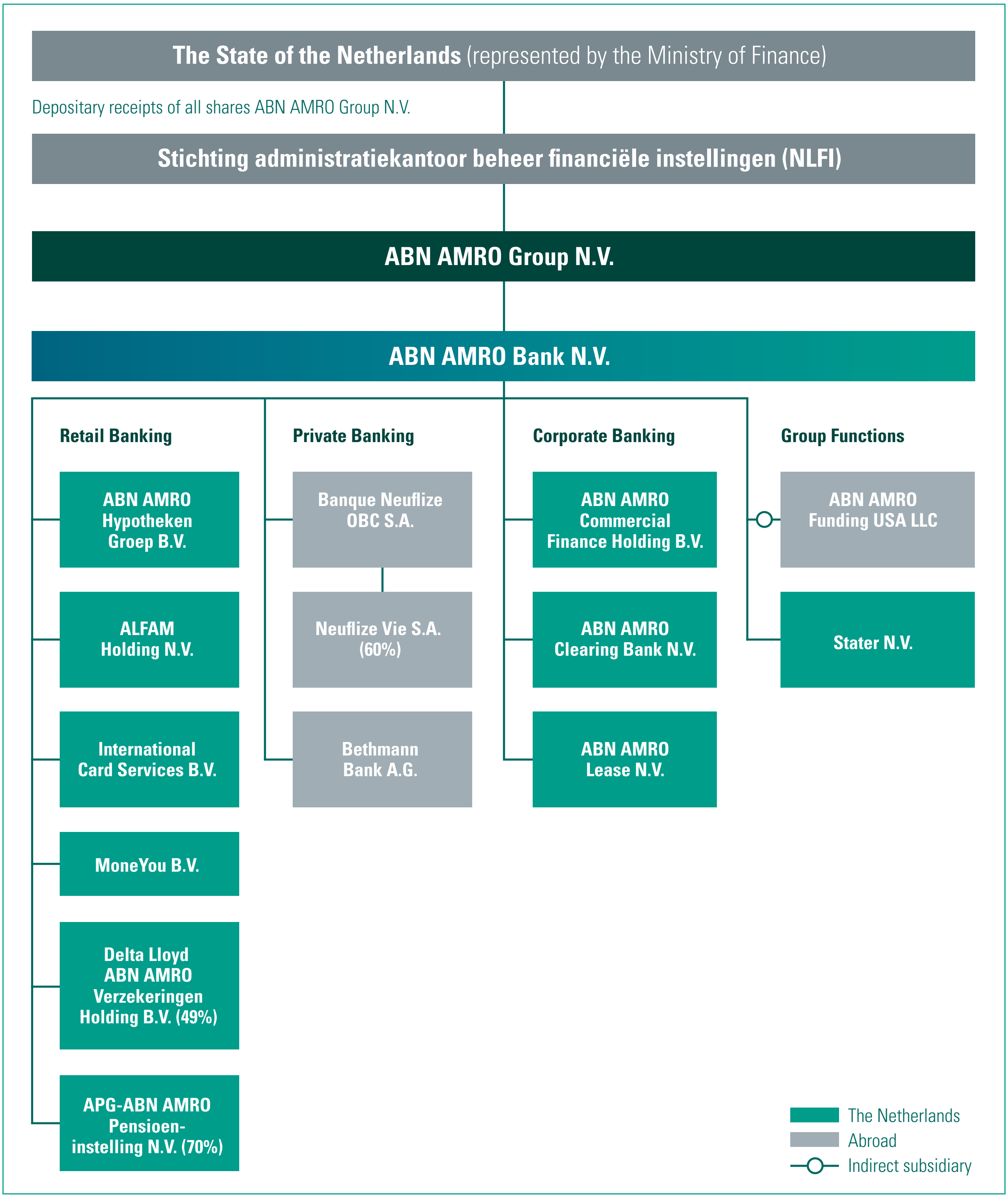
Legal structure

Global structure of ABN AMRO Bank N.V.

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

Shareholder structure

All shares in the capital of ABN AMRO Bank are held by ABN AMRO Group, including all voting rights. All shares in the capital of ABN AMRO Group are held by NLFI, including all voting interests. NLFI has issued exchangeable depositary receipts for each share of ABN AMRO. As the sole holder of all issued exchangeable depository receipts, the Dutch State holds an equal indirect financial interest in ABN AMRO. NLFI is responsible for managing the shares and exercising all rights associated with these shares under Dutch law, including voting rights. However, material or principal decisions require the prior approval of the Dutch Minister of Finance, who will also be able to provide binding voting instructions with respect to such decisions. NLFI's objectives exclude disposing of or encumbering the shares, except pursuant to an authorisation from and on behalf of the Dutch Minister of Finance.


The State of the Netherlands (represented by the Ministry of Finance)
Depositary receipts of all shares ABN AMRO Group N.V.
Stichting administratiekantoor beheer financiële instellingen (NLFI)
ABN AMRO Group N.V.
ABN AMRO Bank N.V.
Retail Banking
ABN AMRO Hypotheken Groep B.V.
ALFAM Holding N.V.
International Card Services B.V.
MoneYou B.V.
Delta Lloyd ABN AMRO Verzekeringen Holding B.V. (49%)
APG-ABN AMRO Pensioeninstelling N.V. (70%)
Private Banking
Banque Neuflize OBC S.A.
Neuflize Vie S.A. (60%)
Bethmann Bank A.G.
Corporate Banking
ABN AMRO Commercial Finance Holding B.V.
ABN AMRO Clearing Bank N.V.
ABN AMRO Lease N.V.
Group Functions
ABN AMRO Funding USA LLC
Stater N.V.
The Netherlands
Abroad
Indirect subsidiary

Main subsidiaries

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

Retail Banking

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

- **ABN AMRO Hypotheken Groep B.V.** offers all ABN AMRO-labelled residential mortgage products, including Direktbank, Florius and MoneYou brands;
- **ALFAM Holding N.V.** provides consumer loans via intermediaries under four different labels: Alpha Credit Nederland, Credivance, Defam and GreenLoans;
- **International Card Services B.V. (ICS)** issues, promotes, manages and processes more than 25 different credit cards in partnership with companies, including credit card transactions and offers other financial services, such as revolving credit facilities;
- **MoneYou B.V.** operates as an internet bank offering savings accounts and is active in the Netherlands, Belgium, Germany and Austria;
- **Delta Lloyd ABN AMRO Verzekeringen Holding B.V. (ABN AMRO Verzekeringen)** is an associate of ABN AMRO Bank N.V (49%). Delta Lloyd N.V. holds a 51% interest. ABN AMRO Verzekeringen offers life and non-life insurance products under the ABN AMRO brand;
- **APG - ABN AMRO Pensioeninstelling N.V. (ABN AMRO Pensions)** is a joint venture of ABN AMRO (70%) with APG (30%), the largest pension institution of The Netherlands. ABN AMRO Pensions is a Premium Pension Institution ('PPI') which offers pension schemes without insurance based on long life or death.

Private Banking

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

- **Banque Neuflize OBC S.A.** offers a private banking model based on an integrated approach to private and commercial wealth articulated around dedicated advisory and product offers;
- **Bethmann Bank AG (Bethmann)** is a strong local heritage and brand recognition in the German market. Bethmann covers all major regions of Germany and offers all Private Banking and Private Wealth Management related services;
- **Neuflize Vie S.A.** is a joint venture of Banque Neuflize OBC (60%) and AXA (40%). Neuflize Vie is a life insurance company and was created to offer life insurance products for (ultra) high net worth individuals and has developed customised solutions with a focus on life insurance contracts.

Corporate Banking

The Corporate Banking business of ABN AMRO is supported by the following subsidiaries (this list is not exhaustive):

- **ABN AMRO Clearing Bank N.V.** is a global leader in derivatives and equity clearing and is one of the few players currently able to offer global market access and clearing services on more than 85 of the world's leading exchanges and operates from several locations across the globe;
- **ABN AMRO Commercial Finance Holding B.V.** is active via subsidiaries in the Netherlands, France, Germany and the United Kingdom, providing working capital funding on debtors and inventory;
- **ABN AMRO Lease N.V.** delivers asset-based solutions (equipment lease and finance) and is active in the Netherlands, Belgium, Germany and the United Kingdom.

Group Functions

The Group Functions business of ABN AMRO is supported by the following subsidiaries (this list is not exhaustive):

- **ABN AMRO Funding USA LLC** is active in the US market, issuing ABN AMRO's US Dollar Commercial Paper funding for clients operating in the US and for clients with US dollar loans;
- **Stater N.V.** offers administrative services related to mortgage loans. Stater works for ABN AMRO and other parties supplying mortgage loans.

Supervisory Board report

The Supervisory Board is pleased to present the Supervisory Board report for 2014. In this report, the Supervisory Board provides an overview of the focus areas and the most important activities covered in 2014, including those of its committees. A description of the duties, responsibilities and the current composition of the Supervisory Board including the procedures for appointment, suspension and dismissal is provided in the Corporate Governance section. The principal points of the bank's remuneration policy are included in the Remuneration Report.

Overview

The Supervisory Board held five regular meetings, three executive meetings and seven additional meetings in 2014. Focus areas included an evaluation of the composition of the Supervisory Board and Managing Board in anticipation of the reappointments of both Supervisory and Managing Board members due for appointment in April 2014 and 2015, monitoring of the long-term strategy, remuneration policy issues. Preparations for the possible IPO of ABN AMRO Group and monitoring of the efforts aimed at further strengthening the regulatory reporting framework and data quality throughout the organisation. The committees of the Supervisory Board discussed various topics in order to prepare the decision-making process of the Supervisory Board, the main issues being the design and effectiveness of risk management and control systems, the financial reporting process, remuneration and selection, succession planning, human resources, compliance and the possible IPO of ABN AMRO Group.

Activities and focus areas

Supervisory Board meetings

The Supervisory Board held fifteen meetings in 2014, five of which were scheduled plenary meetings. All of these meetings were held in the presence of members of the Managing Board (depending on the agenda, either all or the relevant members) and the Company Secretary. Other members of the Management Group and the external auditor were regularly invited to present on specific topics. The Supervisory Board also held three scheduled plenary meetings with only the members of the Supervisory Board and the Company Secretary being present ('executive meetings'). The Chairman of the Managing Board attended some parts of these meetings. These executive meetings were used to independently discuss matters relating to, among other things, the functioning of the Managing Board and its individual members and to allow for more informal discussion between the Supervisory Board members. Five resolutions of the Supervisory Board were adopted outside a meeting. Seven additional meetings were scheduled in anticipation of the possible IPO of ABN AMRO Group N.V., which were attended by members of the Supervisory Board and the Managing Board, the Company Secretary and special invitees. All Supervisory Board members were present at the scheduled plenary meetings held in 2014, with the exception of one member who was unable to attend one meeting. All Supervisory Board members were present at the executive meetings held in 2014, with the exception of one member who missed two meetings and one member who missed one meeting. This attendance rate underlines the fact that the members of the Supervisory Board are actively engaged in ABN AMRO and devote ample time to the bank's affairs. Members of the Supervisory Board and the Managing Board were also in contact on a regular basis outside of the Supervisory Board meetings. The Chairman of the Managing Board and the Chairman of the Supervisory Board met on a weekly or fortnightly basis. The Chairman of the Supervisory Board and the Company Secretary prepared the agenda for all meetings of the Supervisory Board in 2014.

Focus areas in 2014

In 2014, the Supervisory Board devoted special attention to the following topics.

Composition of the Supervisory Board

The terms of the members of the Supervisory Board expired on the occasion of the General Meeting of Shareholders on 10 April 2014, with the exception of the term of Mr Van Slingelandt, whose term was to expire in 2015.

Following the announcement of Mr Lindenbergh that he intended to retire as Chairman and member of the Supervisory Board as of the General Meeting of 10 April 2014, the Supervisory Board decided to nominate Mr Van Slingelandt as Chairman of the Supervisory Board. The Supervisory Board concluded that, with his background and his extensive experience in the financial sector, Mr Van Slingelandt would be pre-eminently able to ensure the continuity the bank needs. Following this nomination, the approval of De Nederlandsche Bank and the approval of the Dutch Minister of Finance, the General Meeting of Shareholders appointed Mr Van Slingelandt as the new Chairman of the Supervisory Board as from 10 April 2014, for a period of two years. Following the nomination by the Supervisory Board, the General Meeting also decided to immediately reappoint Mr Van Slingelandt for a term of two years as a member of the Supervisory Board.

Following a positive evaluation of its own functioning, the functioning of its individual members and its combination of experience and expertise as described in the collective profile of the Supervisory Board, the Supervisory Board decided to nominate the other members of the Supervisory Board for reappointment as well. The General Meeting of Shareholders held on 10 April 2014 subsequently reappointed those members of the Supervisory Board for a period in line with the amended reappointment schedule in order to allow for more diversity of the expiry dates of the reappointments. Mr Wakkie succeeded Mr Van Slingelandt as Vice-Chairman of the Supervisory Board as from 10 April 2014. With effect from 1 July 2014, the Supervisory Board was completed by the appointment by the General Meeting of Shareholders of Ms Zoutendijk for a period of four years, following the nomination of the Supervisory Board and the approval of De Nederlandsche Bank. Due to the changes in the Supervisory Board, the composition of its committees was changed by the Supervisory Board. Mr De Haan's term will expire in 2015. The Supervisory Board intends to propose to the General Meeting of Shareholders to reappoint Mr De Haan for a period of one year.

Composition of the Managing Board

The terms of all members of the Managing Board (except for Mr Van Dijkhuizen, who was appointed in 2013 for a period of four years) expired on 10 April 2014. With a view to the bank's long-term strategy, a possible IPO of ABN AMRO Group N.V., the profile of the Managing Board and the positive evaluation of its performance over the past four years, the Supervisory Board decided to nominate for reappointment all members of the Managing Board whose term were scheduled to expire. The General Meeting of Shareholders reappointed all members of the Managing Board accordingly, except for Mr van Dijkhuizen, as from 10 April 2014 for another period of four years. The Employee Council advised approval of these proposals. The terms of the reappointed members will expire on the date of the General Meeting of Shareholders in 2018.

Corporate strategy

The Supervisory Board deems the sound and successful execution of the bank's long-term strategy to be important. Based on five strategic pillars, the long-term strategy aims to prepare the bank for the challenges of the future. To ensure effective execution of the strategy, the Quarterly Execution Monitoring Tool, designed in 2013 by the Managing Board to facilitate monitoring, supervision and discussion of implementation of the strategy, was also used in 2014. Via this tool the Managing Board regularly reviewed the realisation of the strategic objectives, the establishment of activities, the initiatives and guiding principles, and the progress made on the long-term strategic goals, performance targets and alignment of the strategic pillars. The Supervisory Board discussed the main results quarterly with the Managing Board.

These discussions yielded the Supervisory Board insight into the way in which the Managing Board sets priorities, initiatives and timelines for effective execution of the strategy. In December 2014, the Supervisory Board discussed the Yearly Strategic Review and concluded that developments were still substantially in line with the bank's long-term strategy.

Increasing regulatory requirements and legislation, changing client needs and high technology costs prompted the Managing Board to conduct a strategic review of the Sales & Trading activities of Markets, part of the former Commercial & Merchant Banking. The Supervisory Board was informed by the Managing Board on the approach and process of the strategic review and was updated on the main considerations and consequences of a new strategy. The Supervisory Board and the Managing Board discussed, among other things, the scope of the new Sales & Trading activities, the product offering and the impact of a new Sales & Trading strategy on the bank's international ambition (a pillar of the bank's long-term strategy). The Supervisory Board endorsed the new Sales & Trading strategy approved by the Managing Board, as a result of the Sales & Trading product and service offering will be more focused and client led. The business line was renamed Capital Markets Solutions – Sales & Trading.

Segmentation

The new Sales & Trading strategy proposed by the Managing Board also created momentum for changing the organisational structure of the former Commercial & Merchant Banking segment. The Supervisory Board discussed the strategic ambitions and considerations and agreed with the organisational changes proposed by the Managing Board. The business was renamed Corporate Banking. The Supervisory Board was furthermore involved in a number of proposed changes to the wider client segmentation of ABN AMRO in order to cater for changing client needs.

Laws and regulations

The transition to a Single Supervisory Mechanism took place in November 2014, as a result of which ABN AMRO was brought under the supervision of a single European supervisor: the European Central Bank. The European Central Bank conducted an Asset Quality Review (AQR) of all European banks before they were brought under its supervision. The Supervisory Board was regularly updated by the Managing Board on the preparations for the AQR and discussed with the Managing Board the time and attention this required. The Supervisory Board was pleased that ABN AMRO passed the AQR and the stress test, which confirmed that the bank is well capitalised and has buffers to absorb losses and economic shocks. Also, the Supervisory Board is pleased that the asset and collateral valuations and related provisions were found to be adequate. The implementation of Basel II and Basel III was also closely monitored. In this respect, the

Supervisory Board was updated on activities with regard to the improvement of risk models and integrated programmes designed to further strengthen the risk management organisation.

Strenghtening the reporting framework and data quality

The Supervisory Board devoted special attention to strengthening the regulatory reporting process and the data quality required for this process and closely monitored the steps taken by the Managing Board in this respect. The Audit Committee retained an independent IT specialist to advise the Supervisory Board on this matter. A separate educational session devoted to the reporting framework and data quality was organised in order to gain more in-depth knowledge on these topics. Furthermore, to obtain an overview of the status of and challenges presented by the reporting framework and the underlying data quality, a deep dive session on this subject was held in a meeting in the presence of the independent IT specialist reporting to the Audit Committee. During this session, the progress of the dedicated programmes was discussed. The Supervisory Board acknowledges that the increasing number of regulatory requests, rules and requirements pose a challenge to ABN AMRO. The Supervisory Board recognises the need to make strengthening of regulatory reporting and data quality a continuous priority.

IPO

An important recurring issue on the agenda in 2014 was the preparation for the possible IPO of ABN AMRO Group. On 23 August 2013, the Dutch Minister of Finance asked ABN AMRO to start making preparations for a possible IPO. The Supervisory Board extensively discussed, challenged and monitored the IPO preparatory activities within ABN AMRO. The Supervisory Board appointed an additional committee from amongst its members (the 'IPO Special Committee'), consisting of four members, to advise the Supervisory Board on recurring topics regarding the possible IPO of ABN AMRO Group and to prepare related decisions. Members of the Supervisory Board also attended specific IPO-related training programmes on subjects such as valuation techniques, communication and compliance and were briefed by external advisors on the particulars of an IPO process.

To prepare ABN AMRO for a possible IPO of ABN AMRO Group, the Managing Board set up an IPO programme in late 2013 to handle all preparations for and execution of the possible IPO. The IPO Office, part of the IPO programme organisation, regularly briefed the Supervisory Board on the progress of the preparatory activities during the five regular Supervisory Board meetings.

In 2014, seven extra meetings were held by the Supervisory Board in the presence of the Managing Board, the Company Secretary and the head of the IPO Office in anticipation of the possible IPO of ABN AMRO Group. During these meetings, an IPO Progress Monitoring Dashboard was used. This tool has been specially designed to provide consistent information on the internal preparations for the IPO and supported the Managing Board and Supervisory Board in 2014 in their assessment of the feasibility of the IPO timelines proposed by NL Financial Investments.

During the various meetings on the IPO, the Supervisory Board also discussed the draft of the bank's Business Plans for 2014-2017 prepared and adopted by the Managing Board, taking into account the perspectives of the different stakeholders of ABN AMRO. The Supervisory Board followed the positive advice issued by the IPO Special Committee on the IPO transaction protocol between ABN AMRO and NL Financial Investments. Furthermore, the Supervisory Board closely monitored the various consultations of members of the IPO Special Committee and the Managing Board with NLFI on the defence mechanisms, in particular the date of activation of these mechanisms, which is deemed of great importance to ABN AMRO. The Supervisory Board also kept closely abreast of developments on the proposed amendments to IPO-related governance documents in preparation for the IPO. During a deep dive session held by Compliance & Conduct on a possible IPO of ABN AMRO Group, the Supervisory Board received an update and was informed of the impact that many developments in 2015 will have on the Compliance & Conduct organisation. With a view to the preparations for the possible IPO of ABN AMRO Group, two deep dive sessions were organised on operational risk management optimisation programmes and on programmes related to Basel requirements and regulatory reporting. In addition to internal meetings, a meeting was held with members of the Supervisory Board and Managing Board and delegates of De Nederlandsche Bank and the European Central Bank. During this meeting, the follow-up actions of various optimisation programmes in preparation for the possible IPO of ABN AMRO Group were discussed.

Interactions with the Employee Council in light of the possible IPO of ABN AMRO Group were conducted in an open and constructive manner.

Monthly topics

In addition to the important topics mentioned above, the following topics were also discussed during the various meetings held throughout the year.

In its February meeting, the Supervisory Board evaluated and discussed the independent auditor's report that KPMG (the independent external auditor) issued with KPMG and the Managing Board. The proposal for the final dividend over 2013 to the annual General Meeting of Shareholders was discussed and approved.
The Supervisory Board furthermore approved the proposed budget for 2014. Following the advice of the Remuneration, Selection & Nomination Committee the results of the proposed financial and non-financial targets for the Managing Board and the Management Group for 2013 were approved. The Supervisory Board was updated on the negotiations on the transition to a defined contribution pension scheme and the new collective labour agreement. Having due regard for Corporate Social Responsibility, the Supervisory Board noted with satisfaction ABN AMRO's achievements in community involvement through the introduction of three new forms of financing, including crowdfunding.

The Abbreviated Company Financial Report 2013 including the Abbreviated Company Financial Statements 2013 and all annexed information of ABN AMRO Group was reviewed and discussed in March with the Managing Board, Group Audit and KPMG and subsequently approved by the Supervisory Board. The Supervisory Board approved the issuing of this document on 7 March 2014. The Supervisory Board was furthermore updated on the possible impact on ABN AMRO of developments in Ukraine and the Crimean Peninsula.

In March, seven members of the Supervisory Board visited the Technology, Operations & Property Services department of ABN AMRO, where they were extensively briefed on the importance of innovation in a rapidly changing world. During an executive meeting, the Chairman of the Managing Board gave an update on the AQR, the bank's strategy and the findings of the evaluation of the Managing Board for 2013.

The annual General Meeting of Shareholders took place in April and was attended by all of the members of the Supervisory Board. Two members of the Supervisory Board attended an educational session about the new mortgage market. In this session the trends and developments in the bank's mortgage services were discussed, as were the related risks and profitability aspects. An educational session on the manner in which ABN AMRO keeps abreast of regulatory amendments and implements the resultant procedures was attended by several members. A delegation from the Supervisory Board met with representatives from the Dutch central bank on several occasions in 2014 to discuss, among other things, the Supervisory Review and Evaluation Process (SREP).

In May the Supervisory Board took note of the envisaged impact of the change of pension system on the budget for 2014. The Supervisory Board approved the proposed press release and Quarterly Report on the first-quarter 2014 results. Also in May, the Supervisory Board extensively reviewed, discussed and subsequently approved the ABN AMRO Business Plan 2014-2017. The Supervisory Board took notice of ABN AMRO's stronger monitoring of developments in proposed and new legislation and other regulations. During an executive meeting the Chairman of the Managing Board gave an update on the IPO, the progress of negotiations on the collective labour agreement and the status of preparations for the AQR.
The Supervisory Board also discussed the progress of the self-assessment of individual members of the Supervisory Board and of the collective Supervisory Board. Educational sessions in May were devoted to the topics of programme lending and financial derivatives. Furthermore, a deep dive session was held on the Top Class Employer strategy, part of the bank's long-term strategy up to 2017.
This presentation gave insight into the elements of the strategy, a general overview of the initiatives taken to become a Top Class Employer and more in-depth information on talent management and leadership programmes. An educational session held in September also touched on this subject.

In June, four members of the Supervisory Board took the workshop 'Doing Business in Brazil'. The Supervisory Board together with the Managing Board visited an ABN AMRO branch in The Hague in July. This branch's various business lines and services were presented in interactive sessions. In July a delegation from the Supervisory Board met with representatives from the Netherlands Authority for the Financial Markets for their yearly meeting.

After a review and discussion with the Managing Board and on the advice of the Audit Committee, in August the Supervisory Board approved the Abbreviated Company Interim Financial Report 2014 of ABN AMRO Group.

The Supervisory Board paid special attention to the level of loan impairments, given the Managing Board's expectations on the pace of economic recovery. In August the Supervisory Board took note of a strategic programme to further enhance the customer experience in Retail Banking. The Supervisory Board supported the ambition to accelerate end-to-end digitisation of key customer processes, consolidate the branch network and upgrade branches, offering a broader range of services at each branch. The Supervisory Board reviewed the Enterprise Risk Management reports regularly. In these reports the actual and forecasted risk profile is benchmarked against the bank's risk appetite. The Supervisory Board agreed with the proposed adjustments to the Risk Appetite 2014 and 2015 and was assured that the current risk appetite framework is suitable for its purposes. In the same meeting the proposed Compliance Charter was approved. The Supervisory Board was advised on the latter two subjects by the Risk & Capital Committee. Two members of the Supervisory Board who visited the bank's New York and Chicago offices found their visit very positive and informative. Furthermore, they met with representatives from the Fed and CME. They shared their main findings with the Supervisory Board and Managing Board during the meeting in August.

In October, the yearly tripartite consultative meeting between the Supervisory Board, the Managing Board and the Employee Council was attended by seven members of the Supervisory Board. This interactive event was fully dedicated to the topic 'soft controls'. The Supervisory Board and its individual members maintained regular contact with the Employee Council throughout 2014. The Supervisory Board believes it is important for the bank to develop sustainable relationships with clients and offer sustainable products. To gain more in-depth knowledge of ABN AMRO's approach to sustainability and the related initiatives, four members of the Supervisory Board attended an educational session devoted to this topic.

In November, a interim dividend in 2014 had been declared to the shareholder following approval by the Supervisory Board. During educational sessions in September and November, members of the Supervisory Board were updated on integrated programmes designed to further develop the risk management organisation in accordance with increasingly strict regulations. In its November meeting, an independent IT specialist presented the final report on the financial and regulatory reporting improvement programmes. During a workshop 'Treasury – financial markets' a better understanding was gained on how financial markets and pricing mechanisms operate, focusing mainly on debt instruments. The Supervisory Board considers employee motivation to be an important condition for giving clients excellent service. As such, it discussed the outcome of the annual Employee Engagement Survey, which showed that 76% of the bank's employees feel committed to their work. The Supervisory Board was pleased with this outcome as well as the response rate of 82%. Also in November, trainees of the Next Generation network, the bank's trainee network, met with members of the Supervisory Board. Topics such as remuneration policies, laws and regulations, and the general image of bankers were discussed in an interactive session.

In December, a meeting was held with a delegation from the De Nederlandsche Bank (DNB) and the European Central Bank, including the Joint Supervisory Team Coordinator for ABN AMRO, during which various focus areas of the ABN AMRO Supervisory Board for 2015 were discussed. Members of the Supervisory Board met with members of the Netherlands Authority for the Financial Markets (AFM) to discuss the challenges facing the financial sector in sustainably embedding client centricity in the conduct and culture of financial institutions. Furthermore, in December the budget for 2015 was approved, as well as the framework for the financial and non-financial targets for 2015 for the Managing Board and members of the Management Group with a direct reporting line to the Supervisory Board.

Other topics

The Supervisory Board received quarterly updates in 2014 on material compliance matters and the effectiveness of compliance procedures, the main legal issues and proceedings, and the handling of claims.
The correspondence with De Nederlandsche Bank, the AFM and other regulators was reviewed and discussed on a regular basis and the Supervisory Board was frequently updated on the communication with these authorities by Group Audit and the Compliance & Conduct department. The Supervisory Board was updated quarterly on important topics within the organisation by the Chairman of the Managing Board and informed verbally of the Corporate Banking and Retail Banking activities and developments by the members of the Managing Board responsible for these activities. Alignment of the business strategy with the corporate strategy was explained during these sessions. The Supervisory Board was kept closely abreast of ABN AMRO's capital structure and funding strategy and was regularly advised on these subjects by the Risk & Capital Committee. The Supervisory Board received detailed monthly updates from the Chief Financial Officer on the current and projected financial results, including developments regarding loan impairments.

Performance evaluation

The Supervisory Board reviews its performance and that of the Supervisory Board committees on an ongoing basis and recognises the importance and value-add of this review. The self-assessment for 2013 was completed in the first quarter of 2014, and the main results were shared with the General Meeting of Shareholders on 10 April 2014. The Supervisory Board carried out a review of its own performance over full-year 2014 that was completed in the first quarter of 2015. The self-assessments include an evaluation of the effectiveness of the introductory and lifelong learning programmes. Important topics covered in the evaluation are the Supervisory Board's role with respect to strategy, risk management and internal control, culture and behaviour within the organisation, the dynamics between the Supervisory Board members, the composition and expertise of the Supervisory Board, and the functioning of the committees of the Supervisory Board. The effectiveness of the procedures for the meetings of the Supervisory Board are also part of the evaluation. The self-assessments are supported by an independent corporate advisory firm.

Annual accounts 2014 and dividend

The Supervisory Board reviewed the Annual Report 2014, the Annual Financial Statements 2014 and all annexed information of ABN AMRO Bank. The Supervisory Board evaluated and discussed these documents with the Managing Board, Group Audit and KPMG (the independent external auditor) and took note of the proposed independent auditor's report that KPMG issued on the Annual Financial Statements 2014. The Supervisory Board was provided with sufficient assurance regarding the information provided by the Managing Board in the annual Management Control Statement. The Annual Financial Statements 2014 were authorised for issue by the Supervisory Board on 10 April 2015. The Supervisory Board furthermore approved the proposal to the annual General Meeting of Shareholders on the final dividend over 2014.

Supervisory Board Committees

Remuneration, Selection & Nomination Committee report

The Remuneration, Selection & Nomination Committee met on four occasions in 2014. All members of the Remuneration, Selection & Nomination Committee were present at the meetings held in 2014, except that one member missed one meeting. One extra teleconference meeting was convened at short notice to decide on the approach relating to the effects of the draft Act on the Remuneration Policy of Financial Undertakings. In addition, the meetings were attended by the Chairman of the Managing Board, the member of the Managing Board responsible for People, Regulations & Identity, representatives of HR and the Company Secretary. In February and March, the Committee extensively discussed the results of the financial and non-financial targets for the Managing Board and the Management Group for 2013 as well as the proposed financial and non-financial targets for the Managing Board and the Management Group for 2014, and it issued positive advice. In February the Remuneration, Selection & Nomination Committee devoted attention to succession planning for the Management Group. The Committee issued positive advice in June on the adjustments to the Global Reward Policy in response to changes in laws and regulations. In November the Remuneration, Selection & Nomination Committee approved the framework of the financial and non-financial targets for 2015 for the Managing Board and members of the Management Group with a direct reporting line to the Supervisory Board. The Committee was regularly updated on the negotiations on a new Collective Labour Agreement, challenged the Managing Board on its approach and kept close track of the progress of these negotiations. The transition from a defined benefit pension scheme to a defined contribution pension scheme and the consequences of this change were also regularly discussed. Other focus areas were the restraints on variable remuneration for the Management Group in connection with expected legislation in the Netherlands, such as the Regulation on Sound Remuneration Policies 2014 and the draft Act on the Remuneration Policy of Financial Undertakings, the restraints on variable remuneration of Identified Staff abroad under the CRD IV regulation, the arrangements included in the Collective Labour Agreement relating to pension accrual on salaries exceeding EUR 100,000, the approval of the list of Identified Staff members in line with the bank's policies, and changes within the bank's Management Group.

Rik van Slingelandt
Chairman,
Remuneration, Selection & Nomination Committee

Audit Committee report

All members of the Audit Committee were present at the regular meetings of the Audit Committee. The meetings were also attended by the Chairman of the Managing Board, the CFO, the CRO, the head of Group Audit, the independent external auditor and the Company Secretary. Other members of the Managing Board and the Management Group were also present with regard to relevant items on the agenda.

The Audit Committee held five executive meetings in 2014, without members of the Managing Board or the external auditor being present, which took place immediately prior to the regular meeting of the Audit Committee. During these executive meetings the Audit Committee discussed, among other things, the independence of the external auditor, status updates and reviews of improvement programmes with regard to financial and regulatory reporting and data quality, topics related to the IPO of ABN AMRO Group N.V. readiness of ABN AMRO and the functioning of Group Audit. In addition to the regular and executive meetings of the Audit Committee, the Chairman of the Audit Committee held individual discussions with the independent external auditor, the head of Group Audit, the Chairman of the Managing Board and the CFO. All relevant issues discussed during the Audit Committee meetings were reported to the full Supervisory Board, in subsequent meetings of the Supervisory Board, which were also attended by the external auditor.

Focal points in 2014 were internal control and financial reporting. The Audit Committee closely monitored financial and regulatory reporting improvement programmes, which have been started up to strengthen regulatory reporting and take the IT landscape to the next level. The Audit Committee was advised on these matters by an independent IT specialist it had already engaged in 2013. The Audit Committee was regularly updated on the progress of the programmes by the independent specialist and by the Managing Board, Group Audit and the external auditor. Within the framework of the Lifelong Learning Programme, a deep dive session on these projects was organised in February 2014. During the meeting in November, the IT specialist presented his final report. Following this report the Audit Committee concluded that the programmes were managed adequately. Nonetheless, the Audit Committee will continue to monitor these programmes. Throughout 2014, the independent external auditor was assessed with regard to supplementary assignments.

In February 2014, the Audit Committee discussed the fourth-quarter and full-year results for 2013 and advised the Supervisory Board to approve the full-year 2013 results and 2013 dividend proposal with due regards to its remarks. The Audit Committee also put forward suggestions regarding a proposal of the Managing Board for a new format for the external quarterly reports. The external auditor presented an example of a new format for its control statement, aiming to contribute to more meaningful audit reporting. The Audit Committee discussed the Management Control Statement.

In March, the Chairman of the Audit Committee met with the Chairman of the Employee Council. In April and October the Chairman of the Audit Committee provided instructions with regard to the design of the Financial Derivatives Course for members of the Audit Committee.

In May, the Audit Committee discussed a report on client signals, which stated that 97% of client complaints had been resolved to the satisfaction of the clients. The Audit Committee discussed an update on the bank's fiscal position and its whistleblowing policy. The Committee also discussed and made additional recommendations on the audit plan of the external auditor. With respect to financial reporting, the Audit Committee discussed the fair value valuation of financial instruments, the method for determining IBNI and the Basel reporting process. In addition to the regular quarterly report of the internal auditor, a report on the inflow and outflow of audit issues flagged by the internal auditor was discussed. The performance of the external auditor was evaluated on the basis of a memo from the internal auditor and a proposal for a tender for a new external auditor was discussed, as the current external auditor's term will expire in 2016 and hence a new external auditor has to be appointed.

In its August meeting, the Audit Committee focused on the interim financial results and discussed the development of loan impairments, interest and fee income, and the cost/income, Core Tier 1 and return on equity ratios. At the request of the Audit Committee, a report of the internal auditor on the follow-up of issues flagged by the external auditor was prepared and discussed. In addition, the progress of the planning of the internal auditor was discussed. The Audit Committee decided to advise the Supervisory Board to approve the interim financial report of ABN AMRO Bank and ABN AMRO Group.

In November, the Audit Committee discussed the final report of the independent specialist engaged to advise on the financial and regulatory reporting improvement programmes. Furthermore, on the basis of the reports of the internal and external auditors and the Finance department, the Audit Committee focused on certain subjects that it deems important in view of a possible IPO, such as internal control, the development and robustness of the financial results as a whole and per business line, and the financial reporting procedures, including procedures for the establishment of loan impairments. Furthermore, an update on the bank's fiscal position and a memo on suspense accounts were discussed. The Audit Committee also advised the Supervisory Board to approve a proposal of the Managing Board for an interim dividend payment and approved an amended version of the audit charter of the internal auditor. With respect to the appointment of the external auditor, the Audit Committee advised the Supervisory Board to approve the proposal of the Managing Board to propose to the General Meeting to reappoint KPMG for the financial year 2015. An update was given on the tender for a new external auditor for the period as from financial year 2016.

The Audit Committee was furthermore regularly updated on the main findings of the internal and external auditors, including the findings in the external auditor's management letter. The Audit Committee also discussed internal control, governance, risk and compliance based on the quarterly internal and external audit reports. In this respect, focus areas are the procedures for financial reporting, including the procedure for the establishment of loan impairments and the timelines for impairments. The Audit Committee extensively discussed the performance and audit ratings of the first and second line departments of the bank on a quarterly basis. During each meeting it devoted attention to the robustness and development of the financial results and ratios, including the level of loan impairments, also in view of a potential IPO. These discussions were held on the basis of the internal and external quarterly financial reports. The Audit Committee also discussed the impact of pensions on the bank's balance sheet and the consequences of the intended change to a defined contribution pension scheme. Furthermore, the Audit Committee kept closely abreast of the correspondence and communication with the Dutch central bank and other regulators, as far as audit-related issues were concerned. In this respect the Committee also discussed financial reports issued to supervisory authorities, such as the COREP and FINREP reports.

Furthermore, the Chairman of the Committee actively arranged meetings with different departments within the organisation to keep track of developments and advancements. In April, the Chairman of the Committee, together with another member of the Supervisory Board, participated in the client arena of ABN AMRO Audit department. In September, the Chairman, together with another member of the Supervisory Board, discussed with FR&R its strategy, the development, relevance and completeness of impairments and other activities.
In October, the Chairman of the Committee discussed with the Participations department the tasks of the department and the positions, value and results of the participations. In November, the Chairman of the Committee visited one of the group entities, International Card Services B.V., to discuss its strategy, organisation, control, risk management, financial information and results. In December, the Chairman, together with another Supervisory Board member, met with the COO of ABN AMRO to discuss IT and IT suppliers. Throughout the latter half of the year, the Chairman met with business controllers and CFOs to discuss performance and management information.

The Audit Committee reviewed and discussed the Annual Report 2014 and the Annual Financial Statements 2014 of ABN AMRO Bank N.V. and all annexed information in April 2015.

Hans de Haan
Chairman, Audit Committee

Introduction
Strategic Report
Business Report
Risk & Capital Report
Governance Report
Annual Financial Statements
Other

Risk & Capital Committee report

All members of the Risk & Capital Committee were present at the meetings of the Risk & Capital Committee. In addition, these meetings were attended by the Chairman of the Managing Board, the CFO and the CRO. The heads of Group Audit, ALM/Treasury, Central Risk Management, Compliance and Legal and the Company Secretary were also present at meetings. In addition to the meetings of the Risk & Capital Committee, the Chairman of the Risk & Capital Committee regularly held individual discussions with the CRO. All relevant issues discussed during the Risk & Capital Committee meetings were reported to the full Supervisory Board, in subsequent meetings of the Supervisory Board, which were also attended by the external auditor.

One of the focus areas and recurring subjects of the Risk & Capital Committee in 2014 was the level and development of loan impairments. During each meeting the Risk & Capital Committee discussed the Enterprise Risk Management report, devoting special attention to the impairment levels as a whole, the impairment levels in certain sectors, and individual impairments and the corresponding 'lessons learned'. On the basis of the report, the Committee also held in-depth discussions on operational risks, market risks and credit concentration risks.

An important subject in 2014 was the Asset Quality Review performed by the European Central Bank as part of the comprehensive assessment. The Risk & Capital Committee was regularly updated on the Asset Quality Review process and the anticipated results. The Risk & Capital Committee complimented the Managing Board on the way it handled extensive information requests from the European Central Bank and is pleased with the outcome of the Asset Quality Review. Other recurring agenda items included the quarterly legal and compliance updates. Based on these reports the Risk & Capital Committee discussed individual legal and compliance files, the performance of the compliance and legal function, compliance policies and procedures, an improvement programme with regard to the Compliance & Conduct organisation, the relationship with the supervisory authorities, and the impact of national and international laws and regulations.

The Risk & Capital Committee approved the capital and funding plan and was updated quarterly on the bank's capital and funding positions. The Risk & Capital Committee discussed the bank's target capital ratios, also in view of the long-term strategy, and the plans for raising capital and funding, including the timing. Particular attention was paid to the leverage ratio and the liquidity coverage ratio, including the exact regulatory definition of these ratios and the national and international discussions in this respect. The Risk & Capital Committee furthermore agreed to ABN AMRO's participation in the TLTRO programme.

The Risk & Capital Committee was updated regularly on the implementation of Basel II and III and discussed the progress reports provided by the Managing Board in each meeting. Furthermore, the Committee closely monitored the progress of 'Fit for the Future', an integrated programme designed to further develop risk management and the Risk organisation.

Another recurring agenda item was the correspondence with the Dutch central bank and other supervisory authorities. The Risk & Capital Committee was informed of these matters in quarterly reports prepared by the internal auditor and Compliance & Conduct. The Risk & Capital

Committee also discussed letters or reports received from and sent to the Dutch central bank and European Central Bank concerning risk and capital-related subjects.

In addition to the abovementioned recurring agenda items, in its meeting of February 2014 the Risk & Capital Committee was informed that the Dutch central bank approved the ABN AMRO (A)IRB models which are used to calculate credit risk. This is an important step for the bank. The Risk & Capital Committee furthermore discussed the monitoring task of the Compliance & Conduct department and the rating of the AFM with respect to client centricity. Other important subjects included the top individual exposures of the bank, the bank's leverage ratio and liquidity ratios and the internal control with respect to ABN AMRO Clearing Bank and the clearing collateral policies.

In May, the Risk & Capital Committee was updated on the introduction of the Banker's Oath at ABN AMRO, mandatory for all employees under new Dutch regulations. The Committee also discussed developments with respect to duty of care and the bank's conduct monitoring framework.

In August, the Risk & Capital Committee approved a new version of the bank's Compliance Charter. The Risk & Capital Committee discussed the AFM's client centricity dashboard and concluded that the overall rating was adequate. The Committee also discussed a memo regarding the risks the bank is exposed to in its commodities business and an update on the measures the bank is taking in response to the circumstances in Ukraine and Russia. The bank's primary and secondary exposures in Russia and Ukraine were also reviewed. Furthermore, a deep dive regarding the shipping sector was presented and discussed, focusing on the credit risks of the bank's shipping loan portfolio. Finally, the Risk & Capital Committee discussed the risk appetite for 2015 and an amended version of the bank's risk appetite 2014, and advised the Supervisory Board to approve these documents. During its meeting in November 2014, the Risk & Capital Committee focused in particular on the progress made by the AMA ORM Readiness programme and the IMA Compliance programme and conditions relating to the possible IPO of ABN AMRO Group N.V.. This was in addition to regular items such as capital and funding plans, the ERM report, reports on all material compliance issues, reports on legal files, and letters received from and sent to regulators.

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

Rik van Slingelandt
Chairman, Risk & Capital Committee

remuneration report

Various changes in the applicable guidelines for financial institutions with respect to remuneration became effective in 2014 and more restrictions are set to follow. All relevant guidelines have been timely implemented in ABN AMRO's own policies and practices or are expected to be implemented in 2015. This report sets out our remuneration philosophy and principles for all ABN AMRO employees. The remuneration policy and practices for the Managing Board, Supervisory Board and so-called Identified Staff are discussed in greater detail in the subsequent sections of this report.

ABN AMRO has adjusted the remuneration policy for all employees in the Netherlands in recent years. An additional explanation is included in this year's Remuneration Report.

More information on remuneration of the Supervisory Board and Managing Board can be found in note 34 to the Annual Financial Statements

Adjustments to ABN AMRO's remuneration policy in 2010-2014

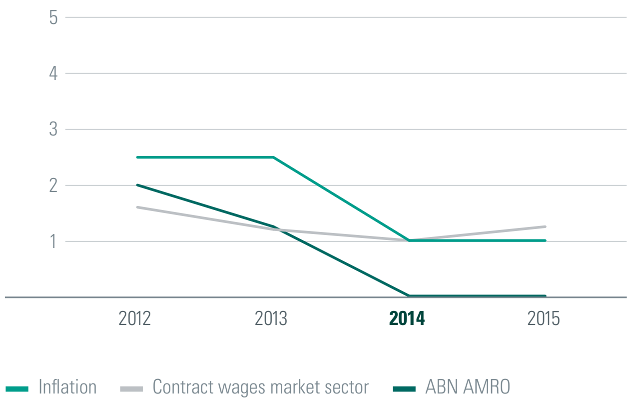
ABN AMRO has amended down the remuneration policy for all employees in the Netherlands in recent years. In doing so, we have taken into account various factors, such as the bank's competitive and market position, but also what society expects of us. Against this background, we have implemented various measures over the past few years. As an employer, we are responsible for the continuity of the bank and we want to be a trustworthy employer for our people.

Collective labour agreement

Since 2010, ABN AMRO has moderated remuneration conditions across the board for all of the bank's employees. Our decision to adjust the remuneration policy was prompted in part by new Dutch and European laws and regulations, including the Act on Remuneration Policies of Financial Undertakings (*Wet Beloningsbeleid Financiële Ondernemingen (WBFO)*) and the Bonus Prohibition for State-supported Enterprises Act (*Wet Bonusverbod Staatsgesteunde Ondernemingen*). In anticipation of this legislation, the bank took pro-active steps to achieve structural restraint.

ABN AMRO has, for instance, made agreements in the collective labour agreement on a restrained package of employment conditions. In 2014, we introduced zero salary growth for two years for employees covered by the collective labour agreement. This applies to approximately 99% of the bank's workforce in the Netherlands; that is, around 18,250 FTEs in the Netherlands at the end of 2014. Under the collective labour agreement, variable remuneration remains restricted (for on-target performance 9% up to a maximum of 20%) and is within the legal limits.

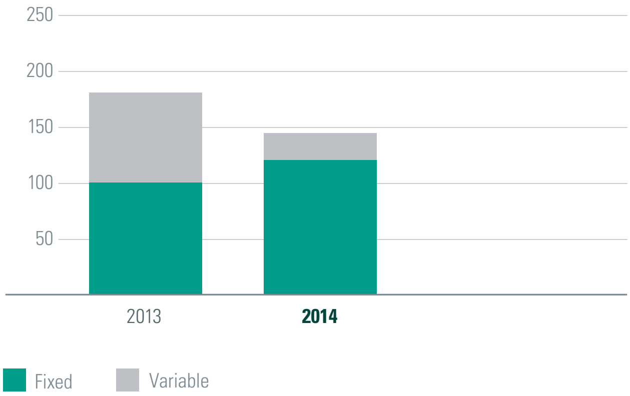
Wage movements in the financial sector in the Netherlands
(in %)



Management Group

We have also adjusted the remuneration of our Management Group, the bank's top 100 managers. The variable remuneration for this group of employees in the Netherlands has been changed. Until 2014, the Management Group was contractually entitled to a maximum variable remuneration equalling 100% of their fixed salary. The system used for variable remuneration was approved by the Dutch Ministry of Finance and is linked to clear, quantitative and qualitative targets, equally divided in financial and non-financial targets (KPIs) for issues such as client satisfaction, leadership, solvency, liquidity, cost ceiling and employee engagement. The average variable remuneration for the Management Group was 60% for 2013. Since 2014, a year earlier than legally required, the bank has capped variable remuneration for this group to 20%. Despite a partial increase in the fixed salary, which was applied in accordance with the later Act on Remuneration Policies of Financial Undertakings, the total income of the Management Group declined by an average of 5-10%, taking into account that fixed pay is pensionable.

Average salary of Management Group in the Netherlands declined 5-10% due to a reduction of variable remuneration
(in %)

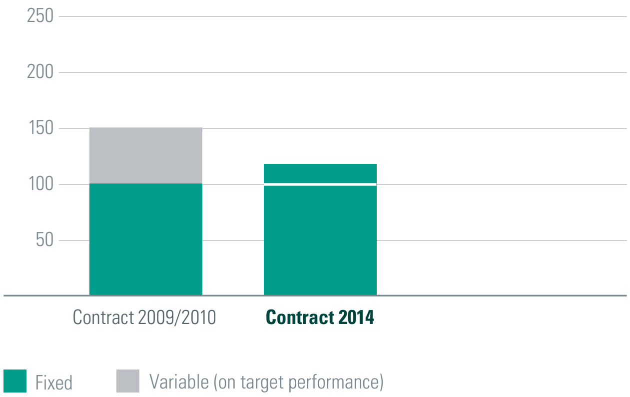


Managing Board

The Members of the ABN AMRO Managing Board were recruited in 2009 and appointed in 2010. The employment agreements of the Members of the ABN AMRO Managing Board (excluding the Chairman) as concluded in 2009 with the Dutch Ministry of Finance, provided for a fixed salary of EUR 600,000 and a variable remuneration of 50% of their fixed salary if performance targets were met (on-target performance) up to a maximum of 60% in the event of above-target performance. Over the past years, the Managing Board members delivered on- or above-target performance and were therefore contractually entitled to a total remuneration of at least EUR 900,000 over those years. However, the Bonus Prohibition Act prohibited as from 2011 the payment of any variable remuneration to Board Members of state supported banks, including ABN AMRO. The Act allowed for partial compensation in the form of an increase of fixed salary up to 20%. The ABN AMRO Supervisory Board decided, in agreement with the shareholder, to partially apply the permitted compensation by allowing a temporary fixed allowance of 16.67% as of 2012. For the calendar years 2012 and 2013, respectively, all eligible Managing Board Members waived their entitlement to this allowance. The Supervisory Board decided to pay this temporary fixed allowance as from 2014, bringing the total remuneration of the Managing Board Members to EUR 707,500 as from 2014[1]. This is 17% lower than the remuneration they were contractually entitled to receive as from 2009 for on-target performance. The salary of the Chairman of the Managing Board remained unchanged.

More details on the remuneration of the Managing Board are available later in this chapter and note 34 to the Annual Financial Statements.

Movements in remuneration of Managing Board
(in %)



Changes to employee benefits

The adjustments to the remuneration policy are also visible in the benefits to which all of the bank's employees in the Netherlands are entitled, i.e. staff who are covered by the collective labour agreement and members of the Management Group and Managing Board. For instance, we took measures relating to pension accrual: as from 2015, employees must pay a larger share of the pension contribution. Another example of a reduction is the abolition of the mortgage interest discount for new employees and the freezing of this benefit for current employees.

With all of the above measures, ABN AMRO has taken concrete steps in recent years to achieve a straightforward, transparent and restrained remuneration policy. In doing so, the bank is not only saving costs in the short term, but has also created a sustainable remuneration policy for staff that fits these times.

[1] The six eligible Managing Board members renounced the EURO 100,000 allowance. Please refer to note 36 – Post balance sheet events – for more information.

Philosophy, policies and principles

Remuneration compass

As a bank with Dutch roots, we have an enterprising spirit and a strong drive to succeed, while being prudent and pragmatic. We set high standards and expect our employees to be professional, passionate about their work and to have a strong moral compass. Reward is one of the instruments in a balanced set of instruments we use to attract, retain and develop the best people. We offer meaningful work, a climate in which people can master their profession and personalised working conditions. ABN AMRO's corporate strategy is based on five strategic priorities (more information can be found in the Strategic Report). Our reward philosophy centres around these priorities.

Remuneration philosophy

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

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

ABN AMRO wants to be a bank that creates sustainable value and that puts its clients' interests centre stage. In pursuing this goal, we use a set of core values and business principles, which we include in our performance management cycle in Key Performance Indicators (KPIs). We use both financial and non-financial targets, which are always aligned with and serve to strengthen our strategy.

Our business principles guide us in how we engage with each other and with our clients. The principles are derived from our core values, our aim to put clients' interests centre stage and the competencies we require of our people.

We use an appraisal philosophy based on a uniform model and process for all employees. Accountability for performance is one of the starting points. At ABN AMRO, this means that employees take responsibility for and commit themselves to the bank's targets and the framework in which it operates. The bank implemented further guidelines for performance management in 2014. The KPIs and performance assessments now not only take into account the financial results, but also how the results are achieved, i.e. the employee's behaviour and alignment with business principles and leadership qualities. Mid-year and end-of year performance appraisals are held between managers and staff.

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

One of the key elements of ABN AMRO's long-term corporate strategy is our ambition to become a Top Class Employer. Our HR and Reward strategies are designed to help us attract and retain the best people over the coming years.

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

We contribute to our bank's moderate risk profile by complying with applicable rules and regulations that regulate remuneration in the financial sector. In the Netherlands, these include:

- The Dutch Banking Code;
- Guidelines on Remuneration Policies and Practices as formally adopted on 10 December 2010 by the Committee of European Banking Supervisors (CEBS Guidelines);
- The fourth amended European Capital Requirements Directive (CRD IV), which replaced the former Directive (CRD III) on 1 January 2014;
- As a result of the implementation of CRD IV, the Dutch Regulation on Sound Remuneration Policies pursuant to the Financial Supervision Act 2011 was replaced by an updated Remuneration Policy Regulation (Regeling Beheerst Beloningsbeleid 2014 – RBB). Together with the Remuneration Policy Decree (Besluit beheerst beloningsbeleid Wft) these form the specific Dutch framework;
- The Dutch act on limitation of liability DNB and AFM and bonus prohibition for state-supported enterprises (*Wet aansprakelijkheidsbeperking DNB en AFM en bonusverbod staatsgesteunde ondernemingen*, or Bonus Prohibition Act).

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

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

- Safeguarding an adequate focus on performance by means of our remuneration schemes;
- Striking the right balance between financial and non-financial KPIs;
- Including KPIs relating to risk mitigation measures;
- Following strict governance processes and setting a cap on maximum remuneration.

International ambition: We are flexible and in control

Our strategic ambition to selectively grow our international business implies that we need to attract, motivate, develop and retain high-performing, engaged staff in markets that differ from the Netherlands. Factors we take into account include the labour market and applicable rules and regulations in the various countries in which we operate. Our remuneration policy, while remaining constrained and sound, gives us enough flexibility to operate effectively in each local market.

We aim to align our reward programmes across organisational and country boundaries, while acknowledging the need for variation to accommodate local differences. We conduct among other things benchmarking to make sure that our employee value proposition qualifies as sufficiently competitive in all markets in which we are active.

Improving profitability: We are cost conscious

Our annual performance management cycle creates a link between performance (realistic, sustainable results) and reward. More information on this subject is provided in the Our People section of this report.

In principle, we position pay packages around the median of the relevant labour market. We focus strongly on keeping labour costs under control. Where relevant, we take account of remuneration benchmarks. However, these benchmarks are, only used to support decisions, not to determine them. This allows us to respond effectively to changes in the financial markets and economic circumstances.

Remuneration policy

ABN AMRO's Global Reward Policy

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

The Supervisory Board approves the general remuneration principles laid down in the Global Reward Policy and assesses the general principles and exceptions that relate to the applicable governance and/or international structures. As a result of the many amendments to the applicable guidelines and regulations within the financial sector, the Global Reward Policy needs to be kept aligned with all relevant developments. All changes in applicable rules and regulations need to be implemented in the Global Reward Policy. The Supervisory Board therefore reviews the policy regularly, considering the company's strategy, risk awareness, targets and corporate values as well as relevant market practice. It also takes into account external requirements with respect to governance, the international context and relevant market data. Whenever relevant, the Supervisory Board receives input from control functions such as Risk Management, Compliance, HR and Audit.

The Global Reward Policy applies globally within ABN AMRO at all levels and in all countries (including branch offices). There is a separate Reward Policy that applies to members of the Managing Board as agreed by the Supervisory Board and the shareholder. The Global Reward Policy also specifies specific rules with respect to those staff whose professional activities could have a material impact on the bank's risk profile. Within ABN AMRO this group is indicated as Identified Staff.

Changes in 2014

We updated the Global Reward Policy in 2014 in response to internal and external developments and implemented the revised version in the course of the year. We have adapted our internal policies to comply with European regulations on the selection of employees that qualify as so-called Identified Staff.

A new Collective Labour Agreement for ABN AMRO employees in the Netherlands for 2014 and 2015 was agreed between the bank and the unions. The agreement stipulates a 0% salary increase for Dutch employees in 2014 and 2015. Furthermore, as a consequence of new Dutch pension legislation, the pension scheme changed with effect from mid-June 2014, resulting in a decrease in accrual and a higher pensionable age. The former defined benefit pension scheme was changed into a so-called collective defined contribution scheme (CDC).

European Remuneration Guidelines such as CRD IV became effective and relevant Dutch regulations such as the Remuneration Policy Decree (Besluit beheerst beloningsbeleid Wft) and the Remuneration Policy Regulation (Regeling beheerst beloningsbeleid Wft 2011 - RBB 2011) were updated with effect from 2014 (RBB 2014). CRD IV introduced further restrictions with respect to remuneration in the financial sector, such as the introduction of a bonus maximum of 100% or, under certain conditions, 200% of the annual fixed income. The Dutch government is implementing further restrictions within the Dutch financial industry under a new bill, the Wet Beloningsbeleid Financiële Ondernemingen (WBFO), with an implementation date of 7 February 2015 and transitional arrangements. Two of the new restrictions are the introduction of a 20% maximum for variable remuneration for the financial sector and an extension of the provisions and target group of the Bonus Prohibition Act for state-supported banks.

Expected changes in 2015

As a result of the implementation of the WBFO, it is expected that the DNB regulation RBB 2014 will be further updated. Further guidelines from supervisors such as the ECB and DNB are expected, as are updated EBA guidelines.

The Dutch pension legislation which provides for a cap of the pensionable income took effect as from 1 January 2015. ABN AMRO uses one pension scheme for all employees, including Managing Board and Management Group members. ABN AMRO and the trade unions have reached agreement on a so-called net pension arrangement for income exceeding the set threshold with effect from 2015.

Remuneration principles for Managing Board and Identified Staff

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

Managing Board

The Global Reward Policy principles apply to all employees of the bank worldwide. A different governance applies to the Managing Board, however, as the Supervisory Board is responsible for the proposal of the policy and principles. The proposal must be approved by the shareholder. In addition to setting policy, the Supervisory Board executes the remuneration policy for the Managing Board members.

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

As mentioned in the 2012 Remuneration Report and pursuant to the Bonus Prohibition Act that became effective in 2011, remuneration restrictions for the members of the Managing Board have become applicable. As a result, Managing Board members would not be eligible to receive the contractually agreed variable remuneration during the period of government support.

After careful consideration and with due observance of the one-off transition arrangement included in the Bonus Prohibition Act, the Supervisory Board decided to compensate the members of the Managing Board with a temporary fixed allowance. This allowance of EUR 100,000 (gross), which represents 16.67% of the 2011 annual salary, applies effectively as from 1 January 2012 for as long as the Bonus Prohibition Act is applicable to ABN AMRO. For the calendar years 2012 and 2013, respectively, all eligible Managing Board Members waived their entitlement to this allowance. The Supervisory Board decided that as from the year 2014 this allowance will be paid out to the six eligible Managing Board members. The Chairman of the Managing Board is not entitled to this allowance.

Details on remuneration of Managing Board

Details on the remuneration of the individual Managing Board members are provided in note 34 to the Annual Financial Statements.

a. Annual fixed remuneration 2014

The annual base salary in 2014 was equal to the base salary in 2013, amounting to EUR 607,500 for the members of the Managing Board and EUR 759,375 for the Chairman of the Managing Board. Salary adjustments for the Managing Board follow the developments in the collective labour agreement for the banking industry (CAO Banken), which did not result in any increase for 2014. Including the temporary fixed allowance of EUR 100,000, the annual fixed remuneration for the members of the Managing Board in 2014 amounted to EUR 707,500.

b. Variable remuneration

Although the remuneration package for the members of the Managing Board provides for a variable compensation component, the Bonus Prohibition Act does not allow such compensation for board members of financial institutions that fall under the scope of this Act. The members of the Managing Board are therefore not entitled to receive variable compensation with respect to the 2014 performance year, just as in previous years. As a consequence, the Board members do not participate in the Variable Compensation Plan that applies to all Identified Staff within ABN AMRO.

c. Benefits

The Chairman and members of the Managing Board participate in the ABN AMRO pension scheme as applicable to all Dutch employees. The changes made to the pension scheme in 2014 therefore also apply to all seven Managing Board members.

In line with the new Dutch pension legislation and with effect from 2014, the standard retirement age has increased from 65 to 67 years, whereas the average income accrual will be lowered from 2.15% to 2.05%, and, as from 2015, to 1.875%. Starting in 2015 a new employee pension contribution of 5.5% will be implemented, whereas the tax-facilitated pension accrual will be limited to pensionable income up to EUR 100,000. The Collective Labour Agreement partners agreed to introduce a so-called net pension arrangement for all employees that are affected by this cap as from 2015. As from 16 June 2014, the former defined benefit pension scheme was changed to a so-called collective defined contribution (CDC) pension scheme.

In addition to pension benefits, Managing Board members are eligible for benefits such as the use of a company car and a designated driver.

d. Severance

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

e. Appointment period

All Managing Board members, except for Kees van Dijkhuizen, who was appointed on 1 May 2013, were re-appointed for a term of four years with effect from 1 April 2014.

Managing Board 2014 performance

ABN AMRO's performance management framework supports the performance of the Managing Board. In 2014, three collective financial and three non-financial targets were set for all Managing Board members. All targets have an equal weight and in total form 80% of the total target framework. The remaining 20% of KPIs are linked to individual performance and are also divided into financial and non-financial components relating to the Managing Board member's area of responsibility, his/her individual leadership and cooperation between business lines.

The Supervisory Board assessed the Managing Board members' performance and decided that all members delivered above-target performances in 2014.

As a consequence of the Bonus Prohibition Act, the members of the Managing Board are not eligible to receive a variable remuneration linked to their performance in 2014.

Details on Identified Staff

ABN AMRO continues to adhere to all relevant remuneration restrictions. The rules apply not only to the Managing Board, but also to those staff whose professional activities could have a material impact on the bank's risk profile. Within ABN AMRO the group of Identified Staff consists of:

- Members of the Managing Board and Supervisory Board;
- Members of the Management Group;
- Staff responsible for independent control functions;
- Other risk takers. The definition of the group of other risk takers follows from credit, market and liquidity risk analyses as undertaken annually by ABN AMRO Risk Management Team on the basis of REA thresholds, membership of certain Risk Committees, the level of P&L budget and responsibilities;
- Other employees whose total remuneration takes them into the same remuneration bracket as senior managers and risk takers;
- Employees who qualify on the basis of the additional qualitative and quantitative criteria as laid down in the EBA Guideline with retroactive effect to 1 January 2014.

Composition of remuneration package Identified Staff

In general, the remuneration packages for Identified Staff have been structured in accordance with the various regulations and restrictions for the financial sector as described above. A typical remuneration package for Identified Staff consists of the following components:

- Annual base salary;
- Annual variable remuneration (with deferred payout);
- Benefits and other entitlements.

ABN AMRO strives to position the level of total direct compensation for Management Group members just below market median levels. With effect from 2014, the variable compensation for Management Group members is capped at 20% of base salary in anticipation of the new Dutch bonus cap included in the WBFO.

ABN AMRO's collective labour agreement governs the remuneration packages for Identified Staff based in the Netherlands who are not Management Group members. For Identified Staff outside the Netherlands, ABN AMRO takes account of the relevant business dynamics (e.g. market conditions, local labour and tax legislation) when deciding on the composition of the reward packages. For the last two categories of employees, total direct compensation is aimed to be positioned around market median levels.

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

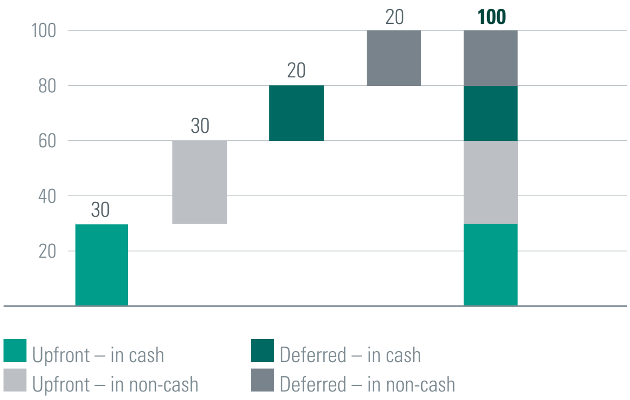
Key performance indicators for Identified Staff

	Weight Managing Board	Weight Management Group (Commercial business segments[1])	Weight Management Group (Group Functions)	Weight non-Management Group
Financial: RARORAC, C/I ratio, Common Equity Tier 1 ratio	40%	10%	10%	10%
Non-financial: Enhance Client Centricity, Client satisfaction, Employee engagement	40%	10%	10%	10%
Personal financial: Financial performance business line	10%			
Personal financial: RARORAC business line		5%		
Personal financial: Cost ceiling business line		5%	10%	10%
Personal nonfinancial: No specific KPIs prescribed		10%	10%	10%
Individual: No specific KPIs prescribed	10%	60%	60%	60%
Total	**100%**	**100%**	**100%**	**100%**

[1] Commercial business segments are Retail Banking, Private Banking and Corporate Banking.

All variable remuneration awards for Identified Staff are subject to and structured in accordance with the Variable Compensation Plan. Before any variable remuneration is granted, ABN AMRO applies an ex-ante risk assessment by way of a collective quantitative risk adjustment mechanisms (such as the solvability check) and a qualitative individual check (the gatekeeper). The gatekeeper procedure forms part of the performance management framework and provides for an assessment of each individual Identified Staff member by the Control Functions (Risk, Compliance and Audit) on the basis of several behavioural elements. This assessment results in advice to the Managing Board, which takes the final decision on whether variable compensation can indeed be granted to the Identified Staff member concerned (this decision must be formally approved by the Remuneration, Selection & Nomination Committee). Only after these checks have been performed will a variable remuneration award be granted. Furthermore, the variable remuneration is awarded over time and divided between an upfront part (60%) and a deferred part (40%) and all such parts will be equally divided into a cash and a non-cash instrument as shown in the following scheme.

Payout scheme
(in %)



Upfront variable remuneration:
- Will be awarded in the first quarter of the year following the relevant performance year.

Deferred variable remuneration:
- Vests in equal instalments in the three years following the first payment;
- Will only vest after an explicit ex post risk assessment: the 'malus assessment' (see the Malus paragraph).

Specific conditions are attached to the non-cash instrument:

- It fluctuates in line with the net asset value of ABN AMRO;
- A two-year retention period is applied to the non-cash instrument, so that any unconditional instrument will need to be retained for an additional two years;
- For a specific group of Identified Staff, the settlement in cash of the non-cash instruments can be capped.

ABN AMRO's ex post risk adjustment tools

Malus

The malus assessment is conducted by the Control Functions Risk, Compliance, HR, Finance and Audit and any outcome is subject to approval of the Managing Board and Supervisory Board. During this malus assessment, it is determined whether any new information is available which should prevent the vesting of deferred parts, e.g. relating to:

- Evidence of misconduct or serious error by the staff member (e.g. breach of code of conduct or other internal rules, especially concerning risks);
- The institution and/or the business unit subsequently suffers a significant downturn in its financial performance (specific indicators are to be used);
- The institution and/or the business unit in which the staff member works suffers a significant failure of risk management;
- Significant changes in the institution's economic or regulatory capital base.

Outcome of malus assessment for performance years 2011, 2012 and 2013

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

- The third tranche of deferred variable compensation with respect to the 2011 performance period;
- The second tranche of the deferred variable compensation with respect to the 2012 performance period;
- The first tranche of the deferred variable compensation with respect to the 2013 performance period.

This means that one-third of each of the deferred variable compensation awards with respect to the three performance years mentioned above now will be granted to the relevant Identified Staff members.

Clawback

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

Personal hedging or insurance

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

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Details on remuneration

Aggregated total compensation over 2014 per business segment as at 31 December 2014

(in thousands)	Number of FTEs (Identified Staff)	Aggregated remuneration[1]
Retail Banking	13	3,575
Private Banking	123	29,434
Corporate Banking	48	19,376
Group Functions[2]	94	28,739
Total	**278**	**81,124**

1 Remuneration comprises fixed and variable compensation, sign-on bonus and severance pay over 2014.
2 All Managing Board and Supervisory Board members are reported under Group Functions.

Details of aggregated total compensation over 2014

	Number of FTEs		
(in thousands)	Management Group	Non-Management Group Identified Staff	Aggregated remuneration[1]
Fixed compensation over 2014	123	155	62,224
Variable compensation over 2014	107	155	18,899
- of which in cash			5,670
- of which in performance certificates			5,670
- of which unconditional (up-front payment)			11,340
- of which conditional (deferred payment)			7,560
Sign on bonus over 2014	2		163
Severance pay over 2014	4		2,162
Highest severance pay over 2014			1,058

1 Remuneration comprises fixed and variable compensation, sign-on bonus and severance pay over 2014.

Employees with total remuneration higher than EUR 1 million per business segment as at 31 December 2014

	Remuneration in millions[1]							
(in FTE)	1-1.5	1.5-2	2-2.5	2.5-3	3-3.5	3.5-4	4.5-5	>5
Retail Banking								
Private Banking	1							
Corporate Banking	1							
Group Functions	1							

1 Remuneration comprises fixed and variable compensation, sign-on bonus, severance pay and pension contribution over 2014.

Details of total remuneration higher than EUR 1 million over 2014

	Remuneration in millions[1]							
(in FTE)	1-1.5	1.5-2	2-2.5	2.5-3	3-3.5	3.5-4	4.5-5	>5
Managing Board	1							
Management Group	2							
Non-Management Group Identified Staff								

1 Remuneration comprises fixed and variable compensation, sign-on bonus, severance pay and pension contribution over 2014.

Remuneration of Supervisory Board members

The remuneration of members of the Supervisory Board is set by the General Meeting of Shareholders based on a proposal of the Supervisory Board. The remuneration of Supervisory Board members is proportional to the time and effort required to perform their duties linked to the membership of the Supervisory Board and the relevant Board committees and is independent of ABN AMRO's financial results. ABN AMRO does not grant variable remuneration or shares or options to Supervisory Board members in lieu of remuneration. The remuneration as such did not change over 2014. The General Meeting of Shareholders decided, however, that as from 10 April 2014 the remuneration for Supervisory Board committee memberships will be limited to two such memberships.

Details on the remuneration of members of the Supervisory Board in 2014 are provided in note 34 to the Annual Financial Statements.

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employee representation

This chapter gives an overview of the activities carried out by the Employee Councils in 2014.

All ABN AMRO employees are represented at all levels of the bank where important decisions are taken by means of a participation model. A new model was introduced in a pilot launched in late 2013 under which there are a smaller number of Works Council members and an active pool of staff known as 'participants'. Each group comprises 50% of the legal number of seats in the Employee Council.

In the Netherlands, employees directly elect members of the employee participation bodies (the new term for Works Councils), which are coordinated by an Employee Council (formerly Central Works Council). The councils discuss all important bank matters with senior management, review important decisions and, in the interests of the staff they represent, put forward proposals to strengthen the continuity of the bank.

Status of participation model pilot

The pilot launched in late 2013 has so far met the following goals: greater diversity in the councils, a more faithful reflection of the make-up of our organisation, and a higher degree of expertise in the councils and in the secretariat. All of this is designed to enhance the quality of decisions, effectiveness and professionalism of the Employee Council.

We are still exploring a number of matters regarding the governance of the councils (e.g. the structure of the individual councils and of the Employee Council), shorter terms of office and a project-based approach.

The Employee Council and a Steering Group including representatives of all stakeholders intends decide in 2015 whether the new model should be permanently implemented and will make new arrangements for the councils that start their terms on 1 January 2016.

Consultation with the Managing Board, Supervisory Board and management

After the merger of ABN AMRO Bank and FBN in 2010, the existing agreements on periodic consultation were reviewed and laid down in a new agreement signed by the Managing Board, Supervisory Board and Employee Council.

In 2014, consultations between the councils of each business and management were open, constructive and substantive. The Employee Council issued its advice in early 2014 on the proposed reappointment of the members of the Managing Board and gave its opinion on the proposed reappointment of the members of the Supervisory Board. A prime example of the constructive consultation is the open dialogue conducted on matters relating to the possible IPO.

Main subjects discussed in 2014

The Employee Council was consulted on the following matters in 2014.

- **The possible IPO:** The Employee Council was involved in discussions regarding preparations for a possible IPO. The formal process of requesting and issuing advice on the IPO will be conducted after the Dutch State takes a decision on this matter;
- **Optimisation of the mortgage chain:** A council-wide working group gave its advice on the steps to be taken in the multi-year process of optimising the mortgage chain. The ABN AMRO Hypotheken Groep (AAHG) reporting line was transferred to ABN AMRO in 2014, and preparations for the transfer of the mid-office activities to Stater are on the agenda for 2015;

- **Commercial & Merchant Banking renamed Corporate Banking:** The Employee Council participated in consultations and advised on the changes made to the organisational structure of the former Commercial & Merchant Banking, now named Corporate Banking;
- **TOPS 2020:** The TOPS council challenged and reviewed the feasibility of the targets set under this project, which aims to prepare the TOPS organisation for the future;
- **Accelarated digitisation:** The Retail Banking council was informed of the plans for the upgrade and restructuring of the Retail organisation and will critically review the implementation plans and monitor the process relating to the consequences for staff.

Senior Managing Directors

The following provides an overview of the Senior Managing Directors at 31 December 2014.

Name	Responsibility
Frans Woelders	Retail Banking
Jos ter Avest	Private Banking Netherlands
Jeroen Rijpkema	Private Banking International
Ruut Meijer	Commercial Clients
Rutger van Nouhuijs	nternational Clients
Rutger Schellens	Capital Markets Solutions
Pieter van Mierlo	Central Risk Management
Daphne de Kluis	Financial Restructuring & Recovery
Fred Bos	IPO
Jeroen Dijst	ALM/Treasury
Frans van der Horst	TOPS IT
Gert-Jan Meppelink	Business Services
Hilde Garssen	Human Resources

Company Secretary

Ruud van Outersterp

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Consolidated income statement

(in millions)	Note	2014	2013	2012
Income				
Interest income		13,376	13,383	13,979
Interest expense		7,353	8,003	8,951
Net interest income	4	**6,023**	**5,380**	**5,028**
Fee and commission income		2,693	2,639	2,552
Fee and commission expense		1,002	996	996
Net fee and commission income	5	**1,691**	**1,643**	**1,556**
Net trading income	6	174	106	263
Share of result in equity accounted investments		51	46	74
Other operating income	7	117	149	417
Operating income		**8,055**	**7,324**	**7,338**
Expenses				
Personnel expenses	8	2,684	2,357	2,151
General and administrative expenses	9	2,450	2,171	2,269
Depreciation and amortisation of tangible and intangible assets	22	204	242	266
Operating expenses		**5,338**	**4,770**	**4,686**
Impairment charges on loans and other receivables		1,171	983	1,228
Total expenses		**6,509**	**5,753**	**5,914**
Operating profit/(loss) before taxation		**1,546**	**1,571**	**1,424**
Income tax expense	10	412	411	271
Profit/(loss) for the year		**1,134**	**1,160**	**1,153**
Attributable to:				
Owners of the company		1,134	1,162	1,153
Non-controlling interests			-2	

Consolidated statement of comprehensive income

(in millions)	2014	2013	2012
Profit/(loss) for the year	**1,134**	**1,160**	**1,153**
Other comprehensive income:			
Items that will not be reclassified to the income statement			
Remeasurement gains/(losses) on defined benefit plans	-179	-291	-4,379
Items that will not be reclassified to the income statement before taxation	**-179**	**-291**	**-4,379**
Income tax relating to items that will not be reclassified to the income statement	-44	-73	-1,095
Items that will not be reclassified to the income statement after taxation	**-135**	**-218**	**-3,284**
Items that may be reclassified to the income statement			
Currency translation reserve	96	-68	-1
Available-for-sale reserve	360	45	377
Cash flow hedge reserve	326	541	-243
Share of other comprehensive income of associates	17	4	61
Other changes	5	-4	-22
Other comprehensive income for the period before taxation	**804**	**518**	**172**
Income tax relating to components of other comprehensive income	168	146	39
Other comprehensive income for the period after taxation	**636**	**372**	**133**
Total comprehensive income/(expense) for the period after taxation	**1,635**	**1,314**	**-1,998**
Total comprehensive income attributable to:			
Owners of the company	1,635	1,316	-1,998
Non-controlling interests		-2	

Consolidated statement of financial position

(in millions)	Note	31 December 2014	31 December 2013	31 December 2012
Assets				
Cash and balances at central banks	11	706	9,523	9,796
Financial assets held for trading	12	9,017	12,019	7,089
Derivatives	13	25,285	14,271	21,349
Financial investments	15	41,466	28,111	21,730
Securities financing	16	18,511	18,362	28,793
Loans and receivables - banks	18	21,680	23,967	32,183
Residential mortgages	19	151,998	153,439	158,666
Consumer loans	19	15,398	15,629	16,200
Commercial loans	19	87,866	85,268	86,391
Other loans and receivables - customers	19	6,648	2,692	1,195
Equity accounted investments	21	1,136	1,082	1,011
Property and equipment	22	1,412	1,426	1,519
Goodwill and other intangible assets	22	255	195	223
Tax assets	10	504	910	1,519
Other assets	23	4,986	5,128	6,094
Total assets		**386,867**	**372,022**	**393,758**
Liabilities				
Financial liabilities held for trading	12	3,759	4,399	3,722
Derivatives	13	30,449	17,227	27,508
Securities financing	16	13,918	12,266	19,521
Due to banks	24	15,744	11,626	16,935
Demand deposits	25	109,753	100,151	93,682
Saving deposits	25	88,655	87,448	81,384
Time deposits	25	17,459	19,638	26,196
Other due to customers	25	144	347	343
Issued debt	26	77,131	88,682	95,048
Subordinated liabilities	26	8,328	7,917	9,736
Provisions	27	1,003	1,550	1,915
Tax liabilities	10	175	90	146
Other liabilities	29	5,473	7,113	4,739
Total liabilities		**371,990**	**358,454**	**380,875**
Equity				
Share capital		800	800	800
Share premium		4,041	4,041	4,041
Other reserves (incl. retained earnings/profit for the period)		10,838	13,623	13,090
Other comprehensive income		-814	-4,909	-5,067
Equity attributable to owners of the parent company	30	**14,865**	**13,555**	**12,864**
Equity attributable to non-controlling interests		12	13	19
Total equity		**14,877**	**13,568**	**12,883**
Total liabilities and equity		**386,867**	**372,022**	**393,758**
Committed credit facilities	32	16,164	13,764	17,635
Guarantees and other commitments	32	15,335	16,103	16,777

Consolidated statement of changes in equity

(in millions)	Share capital	Share premium reserve	Other reserves including retained earnings	Other compre-hensive income	Net profit/ (loss) attributable to share-holders	Total equity	Non-con-trolling interests	Total
Balance at 1 January 2012	**800**	**2,441**	**11,382**	**-1,938**	**665**	**13,350**	**20**	**13,370**
Total comprehensive income			-22	-3,129	1,153	-1,998		-1,998
Transfer			665		-665			
Dividend			-88			-88		-88
Derecognition of the MCS liability		2,000				2,000		2,000
Settlement with ageas		-400						-400
Balance at 31 December 2012	**800**	**4,041**	**11,937**	**-5,067**	**1,153**	**12,864**	**19**	**12,883**
Total comprehensive income			-4	158	1,162	1,316	-2	1,314
Transfer			1,153		-1,153			
Dividend			-625			-625		-625
Other changes in equity							-4	-4
Balance at 31 December 2013	**800**	**4,041**	**12,461**	**-4,909**	**1,162**	**13,555**	**13**	**13,568**
Total comprehensive income			5	496	1,134	1,635		1,635
Transfer			1,162		-1,162			
Dividend			-325			-325		-325
Reclassification post-employment benefit plan[1]			-3,599	3,599				
Increase of capital								
Balance at 31 December 2014	**800**	**4,041**	**9,704**	**-814**	**1,134**	**14,865**	**12**	**14,877**

[1] Reclassification of EUR 3,599 million (EUR 4,799 million gross and EUR 1,200 tax) from Remeasurement gains/(losses) to Other reserves including retained earnings following the change of pension scheme.

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Other comprehensive income is specified as follows:

(in millions)	Remeasurement gains/(losses) on post-retirement benefit plans	Currency translation reserve	Available-for-sale reserve	Cash flow hedge reserve	Share of OCI of associates and joint ventures	Total
Balance at 1 January 2012		**6**	**-253**	**-1,691**		**-1,938**
Net gains/(losses) arising during the period	-4,379	-1	411	-355	61	-4,263
Less: Net realised gains/(losses) included in income statement			34	-112		-78
Net gains/(losses) in equity	-4,379	-1	377	-243	61	-4,185
Related income tax	-1,095		100	-61		-1,056
Balance at 31 December 2012	-3,284	5	24	-1,873	61	-5,067
Net gains/(losses) arising during the period	-291	-68	88	416	4	149
Less: Net realised gains/(losses) included in income statement			43	-125		-82
Net gains/(losses) in equity	-291	-68	45	541	4	231
Related income tax	-73	1	10	135		73
Balance at 31 December 2013	**-3,502**	**-64**	**59**	**-1,467**	**65**	**-4,909**
Reclassification post-employment benefit plan[1]	3,599					3,599
Net gains/(losses) arising during the period	-179	96	357	274	17	566
Less: Net realised gains/(losses) included in income statement			-2	-52		-54
Net gains/(losses) in equity	**-179**	**96**	**360**	**326**	**17**	**620**
Related income tax	-44	-3	89	81		124
Balance at 31 December 2014	**-38**	**36**	**329**	**-1,223**	**82**	**-814**

[1] Reclassification of EUR 3,599 million (EUR 4,799 million gross and EUR 1,200 tax) from Remeasurement gains/(losses) to Other reserves including retained earnings following the change of pension scheme.

2014

Total comprehensive income includes EUR 1,134 million profit for 2014.

Transfer includes allocation of the profit/loss of the prior period to the other reserves.

A final dividend of EUR 200 million was paid out to the shareholder, bringing the total dividend for full-year 2013 to EUR 350 million. An interim dividend of 125 million was paid to the shareholder in November 2014.

ABN AMRO reached a negotiated result with the trade unions and the ABN AMRO Pension Fund on a new pension scheme for its employees in the Netherlands as part of the new collective labour agreement. The new pension scheme is a collective defined contribution (CDC) plan. This scheme will cover all existing and future pension obligations of ABN AMRO in the Netherlands.

The settlement resulted in a reclassification of EUR 3,599 million (EUR 4,799 million gross and EUR 1,200 million tax) from Remeasurement gains/(losses) on post-retirement benefit plans to Other reserves including retained earnings. More information is provided in note 28.

2013

ABN AMRO adopted IAS 19 Employee Benefits as per 1 January 2013 and has adjusted the 2012 figures accordingly.

In 2013, a final dividend of EUR 250 million for the year 2012 was paid to the shareholder. An interim dividend of EUR 150 million was paid to the shareholder in 2013.

Additionally EUR 225 million was paid to the shareholder.

Share of Other comprehensive income of associates and joint ventures is related to the movement in Other comprehensive income of the associates and joint ventures of ABN AMRO.

2012

Due to the conversion of the EUR 2.0 billion Mandatory Convertible Securities, the share premium reserve increased by EUR 2.0 billion.

The settlement of all legal proceedings between ABN AMRO and the Dutch government on the one side and Ageas on the other side on 28 June 2012 led to a one-off cash payment by ABN AMRO to Ageas of EUR 400 million. This transaction is characterised as a shareholder's transaction under IFRS; therefore the amount of EUR 400 million was charged directly to equity (deduction from the share premium reserve).

Total equity decreased by EUR 0.5 billion, mainly driven by the abovementioned EUR 1.6 billion increase in equity following the MCS conversion/Ageas settlement, EUR 1.2 billion profit for the year 2012 and the loss related to impact of the amended pension accounting standard IAS 19 of EUR 3.1 billion.

In 2012, a final dividend of EUR 88 million for the year 2011 was paid to ordinary shareholder.

Consolidated statement of cash flows

(in millions)	2014	2013	2012
Profit/(loss) for the period	**1,134**	**1,160**	**1,153**
Adjustments on non-cash items included in profit:			
(Un)realised gains/(losses)	152	-591	1,144
Share of profits in associates and joint ventures	-73	-55	-82
Depreciation, amortisation and accretion	357	372	412
Provisions and impairment losses	1,334	1,128	1,340
Income tax expense	412	411	271
Changes in operating assets and liabilities:			
Assets held for trading	3,150	-4,995	8,212
Derivatives - assets	-10,994	7,072	-2,878
Securities financing - assets	1,258	9,940	15,248
Loans and receivables - banks	-1	9,715	2,241
Residential mortgages	1,310	4,833	-83
Consumer loans	326	158	-673
Commercial loans	-1,361	-118	-6,776
Other loans and receivables - customers	-3,721	-1,596	40
Other assets	-17	872	-799
Liabilities held for trading	-872	747	-5,605
Derivatives - liabilities	13,209	-10,276	1,244
Securities financing - liabilities	818	-6,963	-18,367
Due to banks	4,018	-5,007	-1,928
Demand deposits	7,844	6,864	3,747
Saving deposits	1,147	6,085	6,648
Time deposits	-2,575	-6,394	2,444
Other due to customers	-210	21	-96
Liabilities arising from insurance and investment contracts	-140	-263	-243
Net changes in all other operational assets and liabilities	-1,428	1,795	175
Dividend received from associates	104	58	66
Income tax paid	-56	73	-581
Cash flow from operating activities	**15,121**	**15,046**	**6,274**

continued >

(in millions)	2014	2013	2012
Investing activities:			
Purchases of financial investments	-22,986	-14,308	-4,952
Proceeds from sales and redemptions of financial investments	12,206	7,150	3,547
Acquisition of subsidiaries (net of cash acquired), associates and joint ventures	241	-95	-73
Divestments of subsidiaries (net of cash sold), associates and joint ventures	82	-187	67
Purchases of property and equipment	-258	-238	-268
Proceeds from sales of property and equipment	73	110	64
Purchases of intangible assets	-120	-21	-24
Other changes			-5
Cash flow from investing activities	**-10,762**	**-7,589**	**-1,644**
Financing activities:			
Proceeds from the issuance of debt	23,890	43,881	79,014
Repayment of issued debt	-39,108	-47,919	-83,232
Proceeds from subordinated liabilities issued			2,794
Repayment of subordinated liabilities issued	-51	-1,497	-23
Ageas settlement			-400
Dividends paid to the owners of the parent company	-325	-625	-88
Cash flow from financing activities	**-15,595**	**-6,160**	**-1,935**
Net increase/(decrease) of cash and cash equivalents	-11,236	1,297	2,695
Cash and cash equivalents as at 1 January	15,319	14,091	11,404
Effect of exchange rate differences on cash and cash equivalents	128	-69	-8
Cash and cash equivalents as at 31 December	**4,212**	**15,319**	**14,091**
Supplementary disclosure of operating cash flow information			
Interest paid	7,519	7,697	8,057
Interest received	13,259	12,466	13,099
Dividend received from investments	71	38	59

The following table shows the determination of cash and cash equivalents at 31 December.

(in millions)	31 December 2014	31 December 2013	31 December 2013
Cash and balances at central banks	706	9,523	9,796
Loans and receivables banks (less than 3 months)[1]	3,506	5,796	4,295
Total cash and cash equivalents	**4,212**	**15,319**	**14,091**

[1] Loans and receivables banks with a maturity less than 3 months is included in Loans and receivables - banks. See note 18.

notes to the Annual Financial Statements

1 Accounting policies

The notes to the consolidated Annual Financial Statements including the audited sections in the Risk & Capital Report are an integral part of these Annual Financial Statements.

This section describes ABN AMRO's significant accounting policies and critical accounting estimates or judgements relating to the Financial Statements and notes as a whole. If an accounting policy or a critical accounting estimate relates to a specific note, it is included within the relevant note.

Corporate information

ABN AMRO Bank N.V. (referred to as 'ABN AMRO Bank') is a leading Dutch bank, providing financial services in the Netherlands and abroad, together with its consolidated group of entities (referred to as 'Group' or ABN AMRO). ABN AMRO Bank is a public limited liability company, incorporated under Dutch law on 9 April 2009, and registered at Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands.

All ordinary shares in ABN AMRO Bank N.V., representing 100% of the voting rights, are held by ABN AMRO Group N.V. since 9 April 2009. All ordinary shares in ABN AMRO Group N.V., representing 100% of the voting rights, have been held by a foundation named Stichting administratiekantoor beheer financiële instellingen (NLFI) since 16 May 2013.

ABN AMRO provides a broad range of financial services to retail, private, commercial and merchant banking customers. These activities are primarily in the Netherlands and selectively abroad.

The Consolidated Annual Financial Statements of ABN AMRO Bank for the annual period ended 31 December 2014 incorporate financial information of ABN AMRO Bank N.V., its controlled entities, interests in associates and joint ventures. The Annual Financial Statements were prepared by the Managing Board and authorised for issue by the Supervisory Board and Managing Board on 16 April 2015.

Statement of compliance

The Consolidated Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). They also comply with the financial reporting requirements included in Title 9 of Book 2 of the Dutch Civil Code, as far as applicable.

Basis of preparation

The Consolidated Annual Financial Statements are prepared in accordance with IFRS (as endorsed by the European Union) on the basis of a mixed valuation model as follows:

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

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

Disclosures

To combine disclosures where possible and to reduce duplication, we have integrated some IFRS disclosures into our Managing Board report. These are:

- IFRS 7 Risk disclosures of financial instruments. These are disclosed in the Risk & Capital Report;
- IAS 1 Risk and financial instrument disclosures. These are part of the Risk & Capital Report.

IFRS disclosures in the Risk & Capital Report on pages 87 to 210 are labelled as 'audited'. These disclosures are an integral part of the Consolidated Annual Financial Statements and are covered by the Audit opinion.

Changes in accounting policies

On 1 January 2014, ABN AMRO adopted the following new standards and amendments:

- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interests in Other Entities; and
- Amendments to IFRS 10, 11 and 12 Transitional Guidance.

The aforementioned standards have been adopted in accordance with the transitional requirements as set out in these standards.

Consolidation is required when there is control that is defined as a combination of power, exposure to variability in returns and a link between the two. The application of IFRS 10, 11 and the amendments to IFRS 10, 11 and 12: Transitional guidance did not result in significant changes in ABN AMRO's consolidated financial statements. IFRS 12 includes disclosure requirements for interests in and risks arising from subsidiaries, joint arrangements, associates and structured entities. These disclosures are included in note 21.

Other amendments adopted

IAS 32 Offsetting financial assets and financial liabilities. These amendments clarify the offsetting requirements for financial assets and financial liabilities. ABN AMRO has concluded that the amendment has no significant impact on its offsetting policies.

IAS 36 Recoverable amount disclosures for non-financial assets. These amendments address disclosure requirements for recoverable amount information if this amount is based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014.

IAS 39 Financial instruments: Novation of Derivatives and Continuation of Hedge Accounting. This amendment allows hedge accounting to continue in a situation where a derivative, designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws and regulations. The amendment has no significant impact on ABN AMRO's results or financial position.

IFRIC 21 Levies. This IFRS interpretation applies to all government related levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The timing of charging levies to the income statement is clarified according to IAS 37. The interpretation has no significant impact on ABN AMRO's results or financial position.

New accounting standards and interpretations

Annual improvements to IFRSs (2011-2013). In December 2013 the IASB issued the annual improvements to IFRSs 2011-2013 cycle, which were endorsed by the EU in December 2014. The amendments are required to be applied for annual periods beginning on or after 1 July 2014. The impact of the amendments is expected to be insignificant. The amendments are listed below.

- IFRS 1 First-time adoption of International Financial Reporting Standards – Meaning of 'effective IFRSs';
- IFRS 3 Business Combinations – Scope exceptions for joint ventures;
- IAS 40 Investment Property – Clarifying the interrelationship between IFRS 3;
- IAS 40 when classifying property as investment property or owner-occupied property.

The following new or revised standards and interpretations have been issued by the IASB, but are not yet effective for these Consolidated Annual Financial Statements. These standards and interpretations are subject to endorsement by the European Union and are therefore not open for early adoption.

IFRS 9 Financial Instruments: In July 2014 the IASB published the final version of the new standard that replaces IAS 39 Financial instruments: Recognition and Measurement. The mandatory effective date of IFRS 9 will be for annual periods beginning on or after 1 January 2018. In comparison with IAS 39, IFRS 9 has changed requirements for Classification and measurement, Impairment and Hedge accounting, in addition to containing extensive new disclosure requirements. Although the implementation of all changed requirements will take a considerable effort, ABN AMRO expects that the changes to the impairment model will have the largest impact on the Financial Statements. IFRS 9 replaces the 'incurred loss' model with the 'expected credit loss model'. The main difference is that IFRS 9 requires entities to recognise expected credit losses in profit and loss for all financial assets not measured at fair value through profit and loss, even for those that are newly originated or acquired. IAS 39 only allows the recognition of a loss if a loss event has occurred. This difference in approach will result in higher loan loss impairments and corresponding lower equity. Because of the size of the project, the impact of the assessment on the Financial Statements will continue well into 2015.

IFRS 11 Joint Arrangements: Accounting for acquisitions of interest in joint operations (Amendments). The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments are required to be applied to acquisitions occurring from the start of the first annual period beginning on or after 1 January 2016.

IFRS 15 Revenue from contracts with customers: This standard was issued in May 2014. It establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017. ABN AMRO is currently making an assessment on the impact on the Financial Statements.

Annual improvements to the IFRS 2010-2012 cycle - This cycle of annual improvements comprises a total of eight amendments related to seven standards. The standards amended are as follows.
- IFRS 2 Share-based payment – Definition of vesting condition;
- IFRS 3 Business combinations – Accounting for contingent consideration in a business combination;
- IFRS 8 Operating segments – Aggregation of operating segments. Reconciliation of the total of reportable segments' assets to the entity's assets;
- IFRS 13 Fair value measurement – Short-term receivables and payables;
- IAS 16 Property, plant and equipment – Revaluation method – proportionate restatement of accumulated depreciation;
- IAS 38 Intangible assets – Revaluation method – proportionate restatement of accumulated amortisation.

The requirements of this set of amendments are to be applied for annual periods beginning on or after 1 July 2014.The impact of these amendments has been assessed and the outcome had no impact.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain estimates. It also requires management to exercise its judgement in the process of applying ABN AMRO's accounting policies and to make estimates and assumptions concerning the future. Actual results may differ from those decisions and estimates based on judgement. Accounting policies for most significant areas requiring management to make judgements and estimates that affect reported amounts and disclosures are disclosed in the following sections:

Impairment losses on loans and receivables	Risk & Capital Report
Fair value of financial instruments	note **17**
Income taxes	note **10**
Impairment of available-for-sale instruments	note **15**
Provisions	note **27**

Assessment of risk and rewards

Whenever ABN AMRO is required to assess risks and rewards, when considering the recognition and derecognition of assets or liabilities and the consolidation and deconsolidation of subsidiaries, ABN AMRO may sometimes be required to use judgement. Although management uses its best knowledge of current events and actions in making assessments of expected risk and rewards, actual risks and rewards may ultimately differ.

Significant accounting policies

Basis of consolidation

The Consolidated Financial Statements of ABN AMRO Bank N.V. include the financial statements of the parent company and its controlled entities. It incorporates assets, liabilities, revenues and expenses of ABN AMRO Bank N.V. and its subsidiaries. Non-controlling interests (held by third parties) in both equity and results of group companies are presented separately in the Consolidated Financial Statements.

Subsidiaries are included using the same reporting period and consistent accounting policies. Intercompany balances and transactions, and any related unrealised gains and losses, are eliminated in preparing the Consolidated Financial Statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of ABN AMRO's interest in the entities. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

Foreign currency

The Consolidated Financial Statements are stated in euros, which is the presentation and functional currency of ABN AMRO.

Foreign currency differences

ABN AMRO applies IAS 21 The effect of changes in foreign exchange rates. Transactions and balances in foreign currencies are translated into euros at the rate prevailing on the transaction date. Foreign currency balances are translated into euros at the period end exchange rates. Exchange gains and losses on such balances are recognised in the income statement. ABN AMRO's foreign operations may have different functional currencies. The functional currency is the currency that best reflects the economic substance of the underlying event and circumstances relevant to that entity. Prior to consolidation (or equity accounting), the assets and liabilities of non-euro operations are translated at the closing rate and items of the income statement and other comprehensive income are translated into euros at the rate prevailing on the transaction dates. Exchange differences arising on the translation of foreign operations are included in the currency translation reserve within equity. These are transferred to the income statement when ABN AMRO loses control, joint control or significant influence over the foreign operation.

Financial assets and liabilities

ABN AMRO classifies financial assets and liabilities based on the business purpose of entering into these transactions.

Classification of financial assets

Financial assets are classified as assets held for trading, financial investments or loans and receivables and are based on the criteria in IAS 39 Financial Instruments: Recognition and measurement.

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Their measurement and income recognition depends on the classification of the financial assets. The following four groups are identified:

- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They generally arise when money or services are directly provided to a customer with no intention of trading or selling the loan. They are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation recorded in the income statement.
- Held-to-maturity investments are non-derivative financial assets that consist of instruments quoted on an active market with fixed or determinable payments and fixed maturity for which the positive intent and ability to hold to maturity is demonstrated. They are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation recorded in the income statement.
- +Financial assets at fair value through profit or loss include:
  - financial assets held for trading;
  - financial assets that ABN AMRO irrevocably designated at initial recognition as held at fair value through profit or loss when the instruments are held to reduce an accounting mismatch, are managed on the basis of its fair value or include terms that have substantive derivative characteristics in nature.
- Available-for-sale financial assets are those assets that are otherwise not classified as loans and receivables, held-to-maturity investments or financial assets designated at fair value through profit or loss. They are initially measured at fair value with subsequent changes recognised in other comprehensive income.

Classification of financial liabilities

Financial liabilities are classified as liabilities held for trading, due to banks, due to customers, debt certificates, subordinated liabilities and other borrowings. Their measurement and recognition in the income statement depends on the classification of the financial liabilities.

- Financial liabilities at fair value through profit or loss include:
  - financial liabilities held for trading;
  - financial liabilities that ABN AMRO has irrevocably designated at initial recognition as held at fair value through profit or loss when the instruments are held to reduce an accounting mismatch are managed on the basis of its fair value or include terms that have substantive derivative characteristics in nature.

Other financial liabilities are initially measured at fair value (including transaction costs). Subsequent changes are measured at amortised cost using the effective interest rate method with the periodic amortisation recorded in the income statement.

Classification of assets and liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking;
- a trading derivative (except for a derivative that is a designated and effective hedging instrument)

Recognition and derecognition

Traded instruments are recognised on the trade date, defined as the date on which ABN AMRO commits to purchase or sell the underlying instrument. In the event that settlement terms are non-standard, the commitment is accounted for as a derivative between trade and settlement date. Loans and receivables are recognised when they are acquired or funded by ABN AMRO and derecognised when settled. Issued debt is recognised when issued and deposits are recognised when the cash is deposited with ABN AMRO. Other financial assets and liabilities, including derivatives, are recognised in the Statement of financial position when ABN AMRO becomes a party to the contractual provisions of the asset or liability.

Financial assets are generally derecognised when ABN AMRO loses control and the ability to obtain benefits over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or substantially all risk and rewards are transferred. Financial assets are also derecognised in the case that the bank has neither transferred nor retained substantially all risks and rewards of ownership but control has passed to the transferee.

Financial instruments continue to be recognised in the balance sheet, and a liability recognised for the proceeds of any related funding transaction, unless a fully proportional share of all or specifically identified cash flows are transferred to the lender without material delay and the lender's claim is limited to those cash flows and substantially all the risks and rewards and control associated with the financial instruments have been transferred, in which case that proportion of the asset is derecognised.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

ABN AMRO has protected assets through synthetic securitisations. Through a synthetic securitisation a substantial part of the credit risk related to these assets is transferred, while actual ownership of the assets remains with ABN AMRO.

A restructuring of a financial asset with the same lender on substantially different terms, qualitative and quantitative - generally a 10% difference in the present value of the cash flows - is accounted for as an expiration of the financial asset and recognition of a new financial asset. The difference between the former carrying amount and the carrying amount of the new financial asset is included in Impairment charges on loans and other receivables in profit or loss.

Financial liabilities are derecognised when the liability has been settled, has expired or has been distinguished. An exchange of an existing financial liability for a new liability with the same lender on substantially different terms, qualitative and quantitative - generally a 10% difference in the present value of the cash flows - is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the former carrying amount and the consideration paid is included in Other income in the income statement. Any subsequent resale is treated as a new issuance.

ABN AMRO provides clearing and settlement services to its clients. As a general clearing member ABN AMRO guarantees the performance of its clients towards the Central Counterparty (CCP). As such, ABN AMRO is exposed to the risk of non-performance by its clients, but ABN AMRO is not liable to clients for the non-performance of the CCP. ABN AMRO receives and collects any settlement amounts due from or to clients, and remits them to the relevant CCP or client in whole or in part. In the event of non-performance by a client, ABN AMRO closes out the client's position and accesses available margining. ABN AMRO reflects its exposure to non-performance risk of the client through the recognition of margin payables or receivables to clients and CCPs, but does not reflect the client's underlying securities or derivative contracts in its Annual Financial Statements.

Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of financial position if there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Statement of cash flows

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, freely available balances with central banks and other banks, net credit balances on current accounts with other banks, with less than three months maturity from the date of acquisition. The Statement of cash flows, based on the indirect method of calculation, gives details of the source of cash and cash equivalents which became available during the year and the application of these cash and cash equivalents over the course of the year. The cash flows are analysed into cash flows from operations, including banking activities, investment activities and financing activities. Movements in loans and receivables and interbank deposits are included in the cash flow from operating activities. Investment activities are comprised of acquisitions, sales and redemptions in respect of financial investments, as well as investments in, and sales of, subsidiaries and associates, property and equipment. The issuing of shares and the borrowing and repayment of long-term funds are treated as financing activities. Cash flows arise from foreign currency transactions are translated into the functional currency using the exchange rates at the date of the cash flows.

2 Segment reporting

Accounting policy for segment reporting

The segment reporting is in accordance with IFRS 8 Operating Segments. The segments are reported in a manner consistent with the internal reporting provided to the Managing Board, which is responsible for allocating resources and assessing performance and has been identified as chief operating decision-maker. All transactions between segments are eliminated as intersegment revenues and expenses in Group Functions.

Geographical data is presented according to management view.

ABN AMRO has made a number of changes to its client segmentation in order to better cater to clients' needs. As a result, ABN AMRO has amended its business segmentation, which will also improve transparency of the business segments. As of the third quarter of 2014, ABN AMRO presents four reporting segments: Retail Banking, Private Banking, Corporate Banking and Group Functions. The new segmentation has no effect on the historical overall group results or financial position of the bank.

The main changes are listed below:
- Commercial & Merchant Banking has been renamed Corporate Banking, with all clients benefiting from a sector-based approach;
- Diamond & Jewelry Clients, previously part of Private Banking, is now a part of Corporate Banking, as this client group requires similar products and services;
- YourBusiness Banking clients (SMEs with revenues up to EUR 1 million) are now served by Retail Banking instead of Commercial Clients, leveraging on Retail Banking's self-directed service capabilities on mobile and the internet;
- To improve collateral management and strengthen the bank-wide liquidity function, the Securities Financing activities have been moved to ALM/Treasury (part of Group Functions).

The comparitive figures have been adjusted accordingly.

Segment assets, liabilities, income and results are measured based on the ABN AMRO accounting policies. Segment assets, liabilities, income and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Transactions between segments are conducted at arm's length.

Interest income is reported as net interest income as management primarily relies on net interest income as a performance measure, not gross income and expense.

There is no revenue from transactions with a single external client or counterparty exceeding 10% of the bank's total revenue in 2014, 2013 or 2012.

Retail Banking
Retail Banking serves Mass Retail, Preferred Banking and YourBusiness Banking clients (SME clients with turnover up to EUR 1 million) and offers a wide variety of banking and insurance products and services through ABN AMRO's branch network, online, via contact centres and through subsidiaries. In addition, MoneYou is part of Retail Banking.

Private Banking
Private Banking provides total solutions to its clients' global wealth management needs and offers a rich array of products and services designed to address their individual requirements. Private Banking operates under the brand name ABN AMRO MeesPierson in the Netherlands and internationally under ABN AMRO Private Banking, as well as local brands such as Banque Neuflize OBC in France and Bethmann Bank in Germany.

Corporate Banking
Corporate Banking consists of the sub-segments Commercial Clients, International Clients and Capital Markets Solutions.
- Commercial Clients serves business clients with revenues from EUR 1 million up to EUR 250 million, and clients active in Commercial Real Estate (excluding publicly listed companies, which are served by the International Clients sub-segment). ABN AMRO's Lease and Commercial Finance activities are also part of this sub-segment;
- International Clients serves business clients with revenues exceeding EUR 250 million, as well as Energy, Commodities & Transportation (ECT) Clients, Diamond & Jewelry Clients, Financial Institutions and Listed Commercial Real Estate clients;
- Capital Markets Solutions serves clients by providing products and services related to financial markets. This sub-segment includes ABN AMRO Clearing.

Group Functions

Group Functions supports the business segments and consists of Technology, Operations & Property Services (TOPS), Finance, Risk Management & Strategy, People, Regulations & Identity (PR&I), Group Audit and the Corporate Office. The majority of Group Functions costs are allocated to the businesses. Group Functions' results include those of ALM/Treasury as well as the Securities financing activities.

Segment income statement for the year 2014

						2014
(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	Special items and divest-ments	Total
Net interest income	3,379	597	2,019	28		6,023
Net fee and commission income	522	544	646	-21		1,691
Net trading income	7	40	117	10		174
Share of result in equity accounted investments	51	19	-30	11		51
Other operating income	-16	-8	87	54		117
Operating income	**3,942**	**1,193**	**2,839**	**82**		**8,055**
Personnel expenses	560	460	618	758	288	2,684
General and administrative expenses	396	251	298	1,303	201	2,450
Depreciation and amortisation of tangible and intangible assets	8	48	18	131		204
Intersegment revenues/expenses	1,071	205	800	-2,075		
Operating expenses	**2,035**	**964**	**1,734**	**117**	**489**	**5,338**
Impairment charges on loans and other receivables	460	23	717	-28		1,171
Total expenses	**2,495**	**986**	**2,450**	**89**	**489**	**6,509**
Operating profit/(loss) before taxation	**1,447**	**206**	**388**	**-7**	**-489**	**1,546**
Income tax expenses	368	46	91	-21	-72	412
Underlying profit/(loss) for the period	**1,079**	**160**	**298**	**14**	**-417**	
Special items and divestments				-417	417	
Profit/(loss) for the year	**1,079**	**160**	**298**	**-402**		**1,134**
Attributable to:						
Owners of the company	1,079	160	298	-402		1,134
Non-controlling interests						

Retail Banking

Net interest income increased by EUR 264 million to EUR 3,379 million driven by margins on deposits and, to a lesser extent, increased deposit volumes. Net interest income on mortgages improved due to gradual re-pricing of the mortgage book at higher margins as mortgages originated pre-crisis had lower margins. In addition, 2013 was negatively impacted by a correction for interest accruals. Net interest income on consumer lending decreased as lower average lending volumes more than offset the higher margins.

Net fee and commission showed a limited decline of EUR 25 million to EUR 522 million. The decline was largely attributable to the switch to an all-in fee model for investment products in the Netherlands.

Personnel expenses increased by EUR 44 million to EUR 560 million due to a restructuring provision of EUR 60 million. Excluding the restructuring provision, personnel expenses decreased modestly resulting from a decline in the number of FTEs following a further reduction in the number of branches in the Netherlands.

Intersegment revenues/expenses rose by EUR 44 million, which is mainly attributable to higher allocation of IT project costs incurred for the improvement of core IT systems and processes in the coming years.

Impairment charges on loans and other receivables were considerably lower, dropping EUR 219 million to EUR 460 million. The decline was driven by lower impairments on mortgages and, to a lesser extent, lower impairments on the consumer lending portfolio. The improved conditions in the housing market and recovery of the Dutch economy contributed to lower inflow of clients in the impaired portfolio, increased outflow of clients to the performing portfolio and more final settlements of impaired exposures, all of which had a positive impact on the impairment level of mortgages in 2014.

Private Banking

Net interest income amounted to EUR 597 million, up by 13%. This increase was largely driven by higher volume and improved margins on deposits in the Netherlands. Margins of the international activities improved as well.

Net fee and commission rose by 2% to EUR 544 million. Net fees internationally increased mainly as a result of the acquisition of private banking activities in Germany and higher assets under management. Net fees in the Netherlands declined primarily due to the switch to an all-in fee model for investment products, despite the growth in assets under management.

Personnel expenses increased by EUR 18 million and general and administrative expenses increased by EUR 30 million. The increase was mainly related to the integration of the private banking activities in Germany. Depreciation and amortisation of tangible and intangible assets rose by EUR 28 million, mainly due to a goodwill impairment of EUR 28 million. Intersegment revenues/expenses increased by EUR 30 million, partly due to higher allocation of IT costs incurred for the improvement of the core IT systems and processes in the coming years.

Impairment charges at EUR 23 million improved sharply compared with 2013. In 2013, the international portfolio was impacted by several large impairment charges.

Corporate Banking

Net interest income showed a marked increase of EUR 167 million to EUR 2,019 million. Commercial Clients increased due to margin improvements from re-pricing abilities on both loans and deposits. Average lending volumes showed a limited decline, while average deposit volumes were virtually flat. International Clients benefitted from growth in the ECT Clients loan portfolio. Capital Markets Solutions increased, among other things, at Clearing.

Net fee and commission increased by EUR 46 million to EUR 646 million mainly due to higher commitment fees at ECT Clients and Commercial Clients as well as higher M&A fees at Corporate Finance.

Net trading income decreased to EUR 117 million. The FVA impact, recorded for the first time this year, amounted to EUR 52 million negative. CVA/DVA results were EUR 18 million lower compared with 2013 (EUR 3 million positive in 2013 and EUR 15 million negative in 2014). Other operating income increased to EUR 87 million driven by Clearing recording a gain of EUR 40 million resulting from the partial sale of its share in Holland Clearing House.

Personnel expenses were EUR 618 million, rising by EUR 18 million mainly due to a restructuring provision following the strategic review of Capital Markets Solutions. Intersegment revenues/expenses showed an increase of EUR 57 million mainly due to higher allocated IT project costs.

Impairment charges on loans and other receivables amounted to EUR 717 million, a significant decrease of 16%, or EUR 134 million. Commercial Clients recorded substantially lower loan impairments at small clients (turnover of EUR 1 million to EUR 30 million) while loan impairments on medium-sized and large clients (turnover of EUR 30 million to EUR 250 million) increased. Loan impairments at International Clients increased and loan impairments at Capital Markets Solutions remain negligible.

Group Functions

Net interest income increased sharply by EUR 143 million compared with 2013. The rise was largely attributable to the improved ALM interest result, in part as a result of re-allocation of the liquidity buffer costs (approximately EUR 80 million mainly allocated to Corporate Banking and for a small part to Retail Banking).

Personnel expenses remained virtually stable compared with 2013. General and administrative expenses increased by EUR 17 million partly due to expenses incurred in connection with the Asset Quality Review. This was offset by a higher release related to the DSB deposit guarantee scheme (EUR 66 million release in 2014 versus EUR 31 million release in 2013).

Depreciation and amortisation of tangible and intangible assets decreased by EUR 64 million, mainly due to accelerated depreciations in 2013 of EUR 52 million. Intersegment revenues grew by EUR 129 million. The increase was mainly driven by a change in allocation method of IT costs, as all IT costs are now allocated to the business segments (approximately EUR 100 million of which 50% allocated to Retail Banking, 40% to Corporate Banking and 10% to Private Banking).

Special items and divestments

Special items in 2014 included a EUR 288 million charge for the transition to a new pension scheme and the levy for the nationalisation of SNS Reaal amounted to a total of EUR 201 million in operating expenses.

Segment income statement for the year 2013

(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	Special items and divestments	Total
						2013
Net interest income	3,115	529	1,852	-115		5,380
Net fee and commission income	547	532	600	-37		1,643
Net trading income	-0	30	219	-21	-122	106
Share of result in equity accounted investments	39	14	-9	3		46
Other operating income	-10	13	68	77		149
Operating income	**3,691**	**1,118**	**2,730**	**-93**	**-122**	**7,324**
Personnel expenses	516	442	600	762	37	2,357
General and administrative expenses	376	221	288	1,286		2,171
Depreciation and amortisation of tangible and intangible assets	9	20	18	195		242
Intersegment revenues/expenses	1,027	175	743	-1,946		
Operating expenses	**1,929**	**858**	**1,649**	**297**	**37**	**4,770**
Impairment charges on loans and other receivables	679	141	851	-4	-684	983
Total expenses	**2,608**	**998**	**2,500**	**293**	**-647**	**5,753**
Operating profit/(loss) before taxation	**1,082**	**119**	**230**	**-386**	**525**	**1,571**
Income tax expenses	282	16	83	-87	117	411
Underlying profit/(loss) for the period	**800**	**104**	**147**	**-299**	**408**	
Special items and divestments			-109	517	-408	
Profit/(loss) for the year	**800**	**104**	**38**	**218**		**1,160**
Attributable to:						
Owners of the company	800	104	40	218		1,162
Non-controlling interests			-2			-2

Retail Banking

Net interest income increased by EUR 357 million, or 13%, to EUR 3,115 million. This was primarily due to improved margins on mortgages, increasing deposit volumes and a change in the methodology for determining the internal liquidity compensation applied to deposits in 2013, which resulted in an improved margin on deposits. Additionally, as of 2013, staff benefits on mortgage rates are charged by Retail Banking as interest income rather than as compensation under operating expenses. This has led to an increase in both net interest income and operating expenses within Retail Banking. Net fee and commission remained almost unchanged at EUR 547 million.

Personnel expenses increased by EUR 103 million due to higher pension expenses. General and administrative expenses remained stable. Intersegment expenses increased by EUR 42 million mainly due to the abovementioned change made to the booking of staff benefits on mortgages. Impairment charges on loans and other receivables increased by EUR 224 million to EUR 679 million. Approximately half of the increase was attributable to mortgages; the other was attributable to the consumer lending portfolio.

Private Banking
Net interest income increased by EUR 45 million to EUR 529 million, The increase was due to improved margins (mainly margins on deposits) and higher volumes. Net fee and commission income increased by 6% to EUR 532 million and benefited from higher client activity as well as increased assets under management. Other operating income declined by EUR 15 million primarily due to a release on divested activities booked in 2012.

Personnel expenses increased by EUR 38 million resulting from higher pension costs. General and administrative expenses increased slightly to EUR 221 million. Intersegment expenses were EUR 30 million lower and benefited from lower project costs. Impairment charges on loans and other receivables increased by EUR 67 million to EUR 141 million caused by a single client case in the international network.

Corporate Banking
Net interest income rose by EUR 160 million to EUR 1,852 million. The increase was primarily due to higher volumes and margins in the Commercial Clients business (including higher margins on loans and higher volumes and margins on deposits) and International Clients business (including higher margins and volumes on loans). Net fee and commission income decreased by EUR 48 million to EUR 600 million. This decrease was primarily due to the divestment of part of the insurance activities. Fee income also declined as a result of a reclassification of interbank payment fees from expenses to negative fee income. This decline was offset, in part, by higher transaction fees. Both Trading income and Other operating income decreased considerably compared with 2012. This was primarily due to the strategic decision to terminate the non-client related part of the CMS business and challenging market circumstances. Income related to Private Equity was also lower (both valuation and exits).

Personnel expenses increased by 14% to EUR 600 million primarily due to higher pension costs. General and administrative expenses remained stable. Intersegment expenses decreased by EUR 88 million, partly impacted by the changed methodology for staff mortgages. Impairment charges on loans and other receivables decreased by EUR 50 million to EUR 851 million. The decline was mainly due to released provisions in the International Clients business in 2013 on a limited number of clients, and a significant provision booked at Capital Markets Solutions business for a single client in 2012.

Group Functions
Net interest income for the year declined by EUR 210 million to a loss of EUR 115 million. This was mainly due to changes in liquidity compensation. The mismatch result increased due to lower short-term interest rates. The costs of funding as well as capital increased somewhat as maturing debt issued before the crisis was refinanced at higher spread levels. Net fee and commission income increased by EUR 103 mainly due to a reallocation of fees paid for interbank payments to the segments. Net trading Income and other operating income increased both primarily due to revaluations of the investment and trading portfolios as well as higher own debt valuation.

Personnel expenses increased in 2013 by EUR 131 million mainly resulting from higher pension costs. General and administrative expenses were EUR 156 million higher in 2013, given that the Group had received compensation for certain expenses in 2012 from external parties under a service level agreement that the Group had entered into in connection with certain EC Remedy-related portfolio divestments. Additionally, there were higher costs for change projects. This was offset by slightly lower depreciation costs of EUR 28 million.

Special items and divestments

In 2013 special items were recorded in operating income for the reassessment of discontinued Securities Financing activities (loss EUR 70 million) and the costs of winding down non-client-related Equity Derivatives activities (loss EUR 52 million). Operating expenses included a restructuring provision (EUR 37 million), and the Greek releases (EUR 432 million) and Madoff releases (EUR 252 million) were included in impairment charges on loans and other receivables.

Segment income statement for the year 2012

						2012
(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	Special items and divestments	Total reported
Net interest income	2,758	484	1,692	95		5,028
Net fee and commission income	546	502	648	-140		1,556
Net trading income	-0	28	300	-65		263
Share of result in equity accounted investments	36	12	9	16		74
Other operating income	1	28	140	34	215	417
Operating income	**3,341**	**1,055**	**2,788**	**-60**	**215**	**7,338**
Personnel expenses	413	404	525	631	178	2,151
General and administrative expenses	377	217	284	1,130	262	2,269
Depreciation and amortisation of tangible and intangible assets	7	19	17	213	10	266
Intersegment revenues/expenses	985	205	831	-2,021		
Operating expenses	**1,782**	**845**	**1,656**	**-48**	**450**	**4,686**
Impairment charges on loans and other receivables	455	74	901	2	-203	1,228
Total expenses	**2,237**	**919**	**2,557**	**-46**	**247**	**5,914**
Operating profit/(loss) before taxation	1,104	135	231	-14	-32	1,424
Income tax expenses	279	12	5	48	-73	271
Underlying profit/(loss) for the period	**825**	**123**	**226**	**-62**	**41**	
Special items and divestments	-3	-9	-4	57	-41	
Profit/(loss) for the year	**822**	**114**	**222**	**-5**		**1,153**
Attributable to:						
Owners of the company	822	114	222	-5		1,153
Non-controlling interests						

Selected assets and liabilities by segment

(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	Total
					31 December 2014
Assets					
Financial assets held for trading			9,115	-98	9,017
Derivatives		90	20,543	4,652	25,285
Securities financing		8	3,981	14,522	18,511
Residential mortgages	144,424	3,426	14	4,134	151,998
Consumer loans	8,795	5,830	773		15,398
Commercial loans	2,758	7,460	77,625	22	87,866
Other loans and receivables - customers		9	6,630	9	6,648
Other	1,638	6,112	14,897	49,498	72,145
Total assets	**157,614**	**22,935**	**133,579**	**72,739**	**386,867**
Liabilities					
Financial liabilities held for trading			3,759		3,759
Derivatives		70	20,493	9,886	30,449
Securities financing		16	1,302	12,600	13,918
Demand deposits	22,619	38,338	48,479	317	109,753
Saving deposits	68,638	17,957	2,060		88,655
Time deposits	4,658	6,606	4,057	2,137	17,459
Other due to customers			144		144
Other	61,699	-40,053	53,285	32,922	107,854
Total liabilities	**157,614**	**22,935**	**133,579**	**57,862**	**371,990**

(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	Total
					31 December 2013
Assets					
Financial assets held for trading			12,138	-119	12,019
Derivatives	39	171	11,710	2,351	14,271
Securities financing		8	3,024	15,330	18,362
Residential mortgages	146,670	3,221	17	3,531	153,439
Consumer loans	9,437	5,291	901		15,629
Commercial loans	2,851	6,975	75,290	152	85,268
Other loans and receivables - customers		9	2,678	5	2,692
Other	1,633	4,942	12,051	51,716	70,342
Total assets	**160,630**	**20,617**	**117,809**	**72,966**	**372,022**
Liabilities					
Financial liabilities held for trading			4,399		4,399
Derivatives	38	130	10,636	6,423	17,227
Securities financing		3	1,176	11,087	12,266
Demand deposits	20,933	33,888	44,894	436	100,151
Saving deposits	68,802	17,331	1,315		87,448
Time deposits	3,669	8,245	5,111	2,613	19,638
Other due to customers			346	1	347
Other	67,188	-38,980	49,932	38,838	116,978
Total liabilities	**160,630**	**20,617**	**117,809**	**59,398**	**358,454**

(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	Total
					31 December 2012
Assets					
Financial assets held for trading			7,192	-103	7,089
Derivatives	42	168	17,093	4,046	21,349
Securities financing		14	4,826	23,953	28,793
Residential mortgages	150,313	3,404	42	4,907	158,666
Consumer loans	9,989	5,203	1,008		16,200
Commercial loans	2,952	6,808	76,158	473	86,391
Other loans and receivables - customers			1,195		1,195
Other	2,072	5,063	15,126	51,814	74,075
Total assets	**165,368**	**20,660**	**122,640**	**85,090**	**393,758**
Liabilities					
Financial liabilities held for trading		6	3,716		3,722
Derivatives	42	178	17,356	9,932	27,508
Securities financing		2	613	18,906	19,521
Demand deposits	18,846	31,991	42,166	679	93,682
Saving deposits	63,771	16,285	1,328		81,384
Time deposits	4,594	10,517	7,903	3,182	26,196
Other due to customers			342	1	343
Other	78,115	-38,319	49,216	39,507	128,519
Total liabilities	**165,368**	**20,660**	**122,640**	**72,207**	**380,875**

Geographical segments

(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
						2014
Net interest income	5,162	568	103	157	33	6,023
Net fee and commission income	1,115	321	87	153	14	1,691
Net trading income	135	17	3	18	-0	174
Share of result in equity accounted investments	32	17			2	51
Other operating income	112	1		3		117
Operating income	**6,556**	**925**	**194**	**331**	**48**	**8,055**
Personnel expenses	2,157	338	61	109	19	2,684
General and administrative expenses	2,112	243	31	49	14	2,450
Depreciation and amortisation of tangible and intangible assets	143	49	4	4	4	204
Intercountry revenues/expenses	-8	-8	4	19	-8	
Operating expenses	**4,405**	**623**	**99**	**181**	**30**	**5,338**
Impairment charges on loans and other receivables	1,085	65	9	8	3	1,171
Total expenses	**5,490**	**688**	**109**	**190**	**33**	**6,509**
Operating profit/(loss) before taxation	**1,066**	**237**	**86**	**141**	**16**	**1,546**
Income tax expenses	286	73	28	20	6	412
Profit/(loss) for the year	**780**	**165**	**58**	**121**	**10**	**1,134**
Attributable to:						
Owners of the company	781	165	58	121	10	1,134
Non-controlling interests						

(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total 2013
Net interest income	4,639	511	72	132	26	5,380
Net fee and commission income	1,109	306	83	131	14	1,643
Net trading income	138	-55	3	20		106
Share of result in equity accounted investments	31	13		2		46
Other operating income	119	22	1	1	6	149
Operating income	**6,036**	**797**	**159**	**286**	**46**	**7,324**
Personnel expenses	1,856	328	54	96	23	2,357
General and administrative expenses	1,855	233	29	43	11	2,171
Depreciation and amortisation of tangible and intangible assets	208	23	4	5	2	242
Intercountry revenues/expenses	-1	-18	4	19	-4	
Operating expenses	**3,918**	**566**	**91**	**163**	**32**	**4,770**
Impairment charges on loans and other receivables	981	-5	-1	6	2	983
Total expenses	**4,899**	**561**	**90**	**169**	**34**	**5,753**
Operating profit/(loss) before taxation	1,137	236	69	117	12	1,571
Income tax expenses	291	81	18	17	4	411
Profit/(loss) for the year	**846**	**155**	**51**	**100**	**8**	**1,160**
Attributable to:						
Owners of the company	848	155	51	100	8	1,162
Non-controlling interests	-2					-2

(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total 2012
Net interest income	4,347	474	62	118	27	5,028
Net fee and commission income	1,057	307	62	114	16	1,556
Net trading income	204	28	3	27	1	263
Share of result in equity accounted investments	60	11		1	2	74
Other operating income	345	73	1	-2		417
Operating income	**6,013**	**893**	**128**	**258**	**46**	**7,338**
Personnel expenses	1,670	331	48	90	12	2,151
General and administrative expenses	1,967	219	30	42	11	2,269
Depreciation and amortisation of tangible and intangible assets	233	25	3	3	2	266
Intercountry revenues/expenses	-29	15	2	14	-2	
Operating expenses	**3,841**	**590**	**83**	**149**	**23**	**4,686**
Impairment charges on loans and other receivables	1,077	127	2	-1	23	1,228
Total expenses	**4,918**	**717**	**85**	**148**	**46**	**5,914**
Operating profit/(loss) before taxation	1,095	176	43	110		1,424
Income tax expenses	242	2	11	17	-1	271
Profit/(loss) for the year	**853**	**174**	**32**	**93**	**1**	**1,153**
Attributable to:						
Owners of the company	853	174	32	93	1	1,153
Non-controlling interests						

3 Overview of financial assets and liabilities by measurement base

(in millions)	Amortised cost	Fair value through profit or loss - Trading	Fair value through profit or loss - Other	Available for sale financial assets	Total
					31 December 2014
Financial assets					
Cash and balances at central banks	706				706
Financial assets held for trading		9,017			9,017
Derivatives			25,285		25,285
Financial investments			589	40,877	41,466
Securities financing	18,511				18,511
Loans and receivables - Banks	21,680				21,680
Loans and receivables - Customers	261,910				261,910
Other assets			2,453		2,453
Total financial assets	**302,807**	**9,017**	**28,326**	**40,877**	**381,028**
Financial Liabilities					
Financial liabilities held for trading		3,759			3,759
Derivatives			30,449		30,449
Securities financing	13,918				13,918
Due to banks	15,744				15,744
Due to customers	216,011				216,011
Issued debt	75,150		1,981		77,131
Subordinated liabilities	8,328				8,328
Other liabilities			2,453		2,453
Total financial liabilities	**329,150**	**3,759**	**34,882**		**367,791**

(in millions)	Amortised cost	Fair value through profit or loss - Trading	Fair value through profit or loss - Other	Available for sale financial assets	Total
					31 December 2013
Financial assets					
Cash and balances at central banks	9,523				9,523
Financial assets held for trading		12,019			12,019
Derivatives			14,271		14,271
Financial investments			530	27,581	28,111
Securities financing	18,362				18,362
Loans and receivables - Banks	23,967				23,967
Loans and receivables - Customers	257,028				257,028
Other assets			2,171		2,171
Total financial assets	**308,880**	**12,019**	**16,972**	**27,581**	**365,452**
Financial Liabilities					
Financial liabilities held for trading		4,399			4,399
Derivatives			17,227		17,227
Securities financing	12,266				12,266
Due to banks	11,626				11,626
Due to customers	207,584				207,584
Issued debt	86,611		2,071		88,682
Subordinated liabilities	7,917				7,917
Other liabilities			2,171		2,171
Total financial liabilities	**326,004**	**4,399**	**21,469**		**351,872**

(in millions)	Amortised cost	Fair value through profit or loss - Trading	Fair value through profit or loss - Other	Available for sale financial assets	Total
					31 December 2012
Financial assets					
Cash and balances at central banks	9,796				9,796
Financial assets held for trading		7,089			7,089
Derivatives			21,349		21,349
Financial investments			375	21,355	21,730
Securities financing	28,793				28,793
Loans and receivables - Banks	32,183				32,183
Loans and receivables - Customers	262,452				262,452
Other assets			2,170		2,170
Total financial assets	**333,224**	**7,089**	**23,894**	**21,355**	**385,562**
Financial Liabilities					
Financial liabilities held for trading		3,722			3,722
Derivatives			27,508		27,508
Securities financing	19,521				19,521
Due to banks	16,935				16,935
Due to customers	201,605				201,605
Issued debt	92,727		2,321		95,048
Subordinated liabilities	9,736				9,736
Other liabilities			2,170		2,170
Total financial liabilities	**340,524**	**3,722**	**31,999**		**376,245**

4 Net interest income

Accounting policy for net interest income and expense

ABN AMRO applies IAS 39 Financial Instruments: Recognition and Measurement. Interest income and expenses are recognised in the income statement on an accrual basis for all financial instruments using the effective interest rate method except for those financial instruments held for trading. The effective interest rate method allocates interest, amortisation of any discount or premium or other differences, including transaction costs and qualifying fees and commissions over the expected lives of the assets and liabilities. The effective interest method requires ABN AMRO to estimate future cash flows, in some cases based on its experience of customer behaviour, considering all contractual terms of the financial instrument, as well as expected lives of the assets and liabilities. Due to the large number of products, there are no individual estimates that are material to the results or financial position. Interest income and expenses of trading balances are included in net trading income.

(in millions)	2014	2013	2012
Interest income	13,376	13,383	13,979
Interest expense	7,353	8,003	8,951
Net interest income	**6,023**	**5,380**	**5,028**

Net interest income

ABN AMRO applies fair value hedge accounting on individual hedged items (micro fair value hedging). As from 2014 these hedged items are based on gross amounts, which results in a change in presentation in Interest income and Interest expense. There is no impact on Net interest income.

Net interest income increased by EUR 643 million, or 12%, to EUR 6,023 million. Interest income improved across all businesses. The increase was driven mainly by improved margins on deposits as a result of enhanced re-pricing abilities. Interest income on mortgages also increased, despite a declining portfolio volume. The increase in interest income on commercial loans was driven by margin improvements in Commercial Clients and portfolio growth in ECT. ALM interest results also improved compared with 2013.

Interest income

The breakdown of Interest income by type of product for the years ended 31 December is shown in the following table.

(in millions)	2014	2013	2012
Interest income from:			
Cash and balances at central banks			5
Financial investments available-for-sale	734	693	591
Securities financing	256	270	320
Loans and receivables - banks	212	194	460
Loans and receivables - customers	10,281	10,490	10,967
Other	1,893	1,736	1,636
Total interest income	**13,376**	**13,383**	**13,979**

The decrease in the Interest income from Loans and receivables - customers was mainly due to lower interest revenues as a result of a slight decrease in the volume of the mortgage portfolio.

ABN AMRO applies fair value hedge accounting on individual hedged items (micro fair value hedging). As from 2014 these hedged items are based on gross amounts, which results in a change in presentation in Interest income. The comparitive figures have been adjusted as follows. Financial investments available-for-sale increased by EUR 466 million in 2013 and by EUR 240 million in 2012. Other increased by EUR 894 million in 2013 and by EUR 701 million in 2012.

Interest expense

The breakdown of Interest expenses by type of product for the years ended 31 December is shown in the following table.

(in millions)	2014	2013	2012
Interest expenses from:			
Securities financing	173	181	187
Due to banks	209	263	364
Due to customers	2,328	2,726	3,308
Issued debt	1,819	1,903	2,497
Subordinated liabilities	374	422	357
Other	2,450	2,508	2,238
Total interest expense	**7,353**	**8,003**	**8,951**

The decrease in Interest expenses from Due to customers was mainly due to lower interest paid.

Interest expenses from Issued debt decreased due to a decrease in volumes.

ABN AMRO applies fair value hedge accounting on individual hedged items (micro fair value hedging). As from 2014 these hedged items are based on gross amounts, which results in a change in presentation in Interest expense. Issued debt increased by EUR 780 million in 2013 and by EUR 615 million in 2012. Subordinated liabilities increased by EUR 114 million in 2013 and by EUR 86 million in 2012. Other increased by EUR 466 million in 2013 and by EUR 240 million in 2012.

5 Net fee and commission income

Accounting policy for net fee and commission income

ABN AMRO applies IAS 18 Revenue. Fees and commissions are recognised as the services are provided. The following fee types are identified:

- Service fees are recognised on a straight line basis over the service contract period; portfolio and other management advisory and service fees are recognised based on the applicable service contracts;
- Fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognised upon completion of the underlying transaction. Commission revenue is recognised when the performance obligation is complete. Loan syndication fees are recognised as revenue when the syndication has been completed.

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

(in millions)	2014	2013	2012
Fee and commission income	2,693	2,639	2,552
Fee and commission expense	1,002	996	996
Net fee and commission income	**1,691**	**1,643**	**1,556**

Net fee and commission rose modestly, primarily due to higher commitment fees and corporate finance advisory fees. The switch to an all-in fee for investment products in the Netherlands had a negative impact at both Retail Banking and Private Banking. This was offset by a positive impact from the acquisition of the German private banking portfolio from Credit Suisse A.G. as from September 2014.

Fee and commission income

Fee and commission income for the years ended 31 December is specified in the following table.

(in millions)	2014	2013	2012
Fee and commission income from:			
Securities and custodian services	1,100	1,144	1,179
Payment services	667	680	648
Portfolio management and trust fees	521	452	362
Guarantees and commitment fees	171	142	134
Insurance and investment fees	80	79	94
Other service fees	153	142	135
Total fee and commission income	**2,693**	**2,639**	**2,552**

Securities and custodian services fees were lower mainly due to the switch of several securities fees to all-in management fees (EUR 96 million) and the sale of part of ABN AMRO's participation in European Multilateral Clearing (EUR 18 million). This was partially offset by higher fee income related to the Private Banking International portfolio as a result of the increase in sale of bonds and structured products (EUR 15 million) and by higher valuation and higher trading volumes within the Clearing business (EUR 51 million) and within Corporate Banking related to trades in the American debt and capital market (EUR 6 million).

Fees on Payment services decreased in line with the decline of the credit portfolio in Belgium (EUR 5 million) and lower volumes of card transactions and other settlements performed within Retail Banking (EUR 8 million).

Portfolio management and trust fees increased mainly as a result of the introduction of all-in management fees (EUR 76 million) and the purchase of the German private banking portfolio from Credit Suisse A.G. (EUR 6 million).

Guarantees and commitment fees increased due to higher fee income related to granted letters of credit to brokerage activities and mortgages (EUR 29 million).

Fee and commission expense

The components of Fee and commission expenses for the years ended 31 December are as follows:

(in millions)	2014	2013	2012
Fee and commission expenses from:			
Securities and custodian services	757	705	739
Payment services	153	162	168
Portfolio management and trust fees	58	68	40
Guarantees and commitment fees	8	8	9
Insurance and investment fees	25	23	18
Other service fees	2	30	22
Total fee and commission expense	**1,002**	**996**	**996**

Securities and custodian services expenses were higher mainly due to higher fee expenses within the Clearing business as a result of higher trading volumes and valuation of market securities (EUR 26 million).

Fees on Payment services decreased due to higher rebates in debit and credit cards (mainly MasterCard and Visa), for the application of adjusted ATM rates and lower settlements (EUR 9 million).

The decrease in Portfolio management and trust fees was driven by higher volume transactions and improved operations in relation to Assets under Management in the Private Banking portfolio, which jointly had a positive impact on the total commission margin variation (EUR 10 million).

6 Net trading income

Accounting policy for net trading income

In accordance with IAS 39, trading positions are held at fair value and Net trading income includes gains and losses arising from changes in the fair value of financial assets and liabilities held for trading, interest income and expenses related to trading balances, the change in fair value of derivatives used for risk management purposes that do not meet the requirements of IAS 39 for hedge accounting, dividends received from trading instruments and related funding costs.

Dividend income from trading instruments is recognised when entitlement is established. Net trading income also includes changes in fair value arising from changes in counterparty credit spreads and changes in ABN AMRO's credit spreads where these impact the value of ABN AMRO's trading liabilities. The Funding Valuation Adjustment incorporates the incremental cost of funding into the valuation of uncollateralised and partly collateralised derivatives. The charge related to the write-off of trading instruments is included in Net trading income.

(in millions)	2014	2013	2012
Interest instruments trading	26	148	293
Equity trading	-9	-200	98
Foreign exchange transaction results	272	239	91
Other	-116	-81	-219
Total net trading income	**174**	**106**	**263**

Net trading income increased mainly as a result of lower losses related to the Equity trading portfolio (EUR 191 million). This was partly offset by a lower valuation of the Interest instruments trading positions (EUR 122 million).

Interest instruments trading income decreased mainly due to lower volume and lower valuation of the portfolio, the latter caused by a decline of the yield curve in 2014 compared with 2013 (EUR 169 million). This was partially offset by lower valuation of government bonds in 2013 (EUR 52 million).

Equity trading income increased as a result of higher losses in 2013 determined by the lower valuation of the FX cross currency trades and the total return swap portfolio.

Foreign exchange transaction results increased due to higher valuation of FX spot deals and outrights (EUR 133 million). This was partially offset by a higher gain in 2013 in relation to the FX revaluation of cross currency trades in JPY (EUR 81 million) and high volatility in the FX trades closed in the Hong Kong market (EUR 33 million).

Other trading showed a higher loss mainly due to first-time application of the Funding Valuation Adjustments in 2014 in Capital Markets Solutions (EUR 52 million).

7 Other income

Accounting policy for other income

Other income includes all other banking activities such as leasing activities and results on the disposal of assets. In addition, it includes gains and losses on the sale of non-trading financial assets and liabilities, ineffectiveness of hedging programmes, fair value changes relating to assets and liabilities designated at fair value through profit or loss, and changes in the value of any related derivatives. For liabilities designated at fair value through profit or loss, it includes changes in ABN AMRO credit spreads. Dividend income from non-trading equity investments is recognised when entitlement is established.

(in millions)	2014	2013	2012
Leasing activities	22	21	19
Disposal of operating activities and equity accounted investments	60	28	34
Result from financial transactions	-41	-12	31
Other	76	112	333
Total other income	**117**	**149**	**417**

Disposal of operating activities and equity accounted investments increased as a result of the sale of 75% of the shares of Holland Clearing House (HCH) to Intercontinental Exchange Holdings. This was partly offset by lower income from divestments of associates and joint ventures (EUR 5 million).

Result from financial transactions showed a higher loss due to a higher hedge accounting ineffectiveness.

Other was lower mainly due to a gain realised on the sale of premises in 2013 (EUR 22 million).

8 Personnel expenses

Accounting policy for personnel expenses

Salaries and wages, social security charges and other salary-related costs are recognised over the period in which the employees provide the services to which the payments relate. The accounting policies for pensions and other post-retirement benefits are included in note 28.

(in millions)	2014	2013	2012
Salaries and wages	1,661	1,661	1,692
Social security charges	240	227	214
Pension expenses relating to defined benefit plans	405	224	31
Defined contribution plan expenses	170	33	35
Other	208	212	179
Total personnel expenses	**2,684**	**2,357**	**2,151**

Salaries and wages remained flat despite a small reduction of 74 FTEs.

Pension expenses relating to defined benefit plans increased mainly due to the EUR 297 million effect of the change to the pension scheme from a defined benefit plan to a collective defined contribution (CDC) plan. The pension expenses for the first half of 2014 was EUR 95 million (2013: full year EUR 224 million). More information is provided in note 28.

The defined contribution plan expenses increased by EUR 137 million between 12 June and 31 December 2014 due to the change of pension scheme.

Other consists mainly of additions to the restructuring provisions and other short-term benefit expenses.

9 General and administrative expenses

Accounting policy for general and administrative expenses

Costs are recognised in the period to which services have been provided and to which the payment relates.

(in millions)	2014	2013	2012
Agency staff, contractors and consultancy costs	643	537	612
Staff related costs	87	81	92
Information technology costs	879	848	899
Housing	199	200	211
Post, telephone and transport	68	77	93
Marketing and public relations costs	130	123	136
Regulatory charges	317	120	119
Other[1]	126	185	107
Total general and administrative expenses	**2,450**	**2,171**	**2,269**

1 The 2013 and 2012 figures have been adjusted reflecting the additioned line item regulatory charges

General and administrative expenses increased by EUR 279 million. The increase of EUR 106 million in Agency staff, contractors and consultancy costs was mainly due to additional large projects such as the Asset Quality Review and the acquisition of the German private banking portfolio from Credit Suisse A.G. The increase in information technology costs was mainly due to reorganisation costs and outsourcing projects.

Other decreased by EUR 59 million mainly due to a release of EUR 66 million of the provision related to the bankruptcy of DSB. This was partly offset by an additional legal provision.

A specification of the regulatory charges is as follows:

(in millions)	2014	2013	2012
Bank tax	91	106	112
SNS levy	201		
Other regulatory charges	25	14	7
Total regulatory charges	**317**	**120**	**119**

Fees paid to KPMG are included under Agency staff, contractors and consultancy costs. These fees are specified in the following table.

(in millions)	2014	2013	2012
Financial statements audit fees	7	6	6
Audit-related fees	4	4	4
Other fees			1
Total auditor's fee	**11**	**10**	**11**

10 Income tax expense, tax assets and tax liabilities

Accounting policy for income tax expense, tax assets and tax liabilities

ABN AMRO applies IAS 12 Income Taxes in accounting for taxes on income.

ABN AMRO is subject to income taxes in numerous jurisdictions. Income tax expense consists of current and deferred tax. Income tax is recognised in the income statement in the period in which profits arise. Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offset against taxable profits arising in the current or prior period. Current tax is measured using tax rates enacted at the balance sheet date.

Deferred tax is recognised for qualifying temporary differences. Temporary differences represent the difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are only offset when there is both a legal right to offset and an intention to settle on a net basis.

(in millions)	2014	2013	2012
Recognised in income statement:			
Current tax expenses for the current period	282	11	-93
Adjustments recognised in the period for current tax of prior periods	-24	7	60
Previously unrecognised tax losses, tax credits and temporary differences increasing (reducing) current tax expenses		2	
Total current tax expense	**257**	**20**	**-33**
Deferred tax arising from the current period	151	399	308
Deferred tax arising from the write-down or reversal of a write-down of a deferred tax asset	14	-6	53
Previously unrecognised tax losses, tax credits and temporary differences reducing deferred tax expense	-10	-2	-57
Total deferred tax expense	**155**	**391**	**304**
Total income tax expense	**412**	**411**	**271**

Reconciliation of the total tax charge

The effective rate was 26.7% in 2014 (2013: 26.2%; 2012: 17.7%) and differs from the theoretical rate that would arise using the statutory tax rate of the Netherlands. This difference is explained as follows:

(in millions)	2014	2013	2012
Profit/(loss) before taxation	1,546	1,571	1,424
Applicable tax rate	25.0%	25.0%	25.0%
Expected income tax expense	386	393	356
Increase/(decrease) in taxes resulting from:			
Tax exempt income	-43	-37	-91
Share in result of associates and joint ventures	-13	-6	-8
Non deductable Dutch bank tax	23	26	28
Other non deductable expenses	53	4	-51
Previously unrecognised tax losses and temporary differences	-8	4	-64
Write-down and reversal of write-down of deferred tax assets	11	-6	49
Foreign tax rate differential	18	25	-16
Adjustments for current tax of prior years	-24	7	60
Other	9	1	8
Actual income tax expense	**412**	**411**	**271**

ABN AMRO's effective tax rate in 2014 was mainly affected by profits and losses outside the Netherlands taxed against different corporate income tax rates than in the Netherlands, non-taxable gains and income, adjustments to prior years due to the fact that ABN AMRO continued to settle open issues with the tax authorities and a significant amount of non-deductible bank tax and non-deductible resolution levy.

Tax assets and liabilities

The most significant temporary differences arise from the revaluation of certain financial assets and liabilities including derivative contracts, allowances for loan impairment, provisions for pensions and business combinations.

The following table summarises the tax position at 31 December.

	31 December 2014		31 December 2013		31 December 2012	
(in millions)	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Current tax	30	156	165	69	278	99
Deferred tax	473	19	745	21	1,241	47
Total tax assets and liabilities	**504**	**175**	**910**	**90**	**1,519**	**146**

The significant components and annual movements of deferred tax assets and deferred tax liabilities at 31 December are shown in the following tables.

(in millions)	As at 1 January 2014	Income statement	Equity	Other	As at 31 December 2014
Deferred tax assets:					
Assets held for trading and derivatives	501		-81	-9	410
Investments (Available-for-sale)	26	1	-24	11	14
Property and equipment	19	1		1	20
Intangible assets (excluding goodwill)	1	1			2
Loans and receivables - customers	4				4
Impairments on loans	25	-3			22
Issued debt and subordinated liabilities	1				
Provisions for pensions and post-retirement benefits	118	-132	48	-0	34
Accrued expenses and deferred income	43	9		2	54
Unused tax losses and unused tax credits	37	-26	-1		11
Other	31	-4	2	6	36
Total deferred tax assets before offsetting	**807**	**-155**	**-57**	**10**	**605**
Offsetting DTA	62				132
Total deferred tax assets	**745**				**473**
Deferred tax liabilities related to:					
Assets held for trading and derivatives	3				3
Investments (Available-for-sale)	50	2	65	5	121
Property and equipment	3	-1		-1	1
Intangible assets (excluding goodwill)	3	-1			2
Loans and receivables - customers	11	-4		2	10
Issued debt and subordinated liabilities	1				
Deferred policy acquisition costs	1				1
Other	10	5	2	-5	13
Total deferred tax liabilities before offsetting	**83**		**67**	**1**	**151**
Offsetting DTL	62				132
Total deferred tax liabilities	**21**				**19**
Net deferred tax	724				454
Deferred tax through income statement and equity		**155**	**124**		

(in millions)	As at 1 January 2013	Income statement	Equity	Other	As at 31 December 2013
Deferred tax assets:					
Assets held for trading and derivatives	643	1	-143		501
Investments (Available-for-sale)	43		-16	-1	26
Property and equipment	18	1			19
Intangible assets (excluding goodwill)	1				1
Loans and receivables - customers	2	1		1	4
Impairments on loans	66	-41			25
Provisions for pensions and post-retirement benefits	396	-352	73	1	118
Accrued expenses and deferred income	77	-34			43
Unused tax losses and unused tax credits	271	-237		4	38
Other	38	-11	5	-1	31
Total deferred tax assets before offsetting	**1,555**	**-671**	**-81**	**4**	**807**
Offsetting DTA	314				62
Total deferred tax assets	**1,241**				**745**
Deferred tax liabilities related to:					
Assets held for trading and derivatives	2			1	3
Investments (Available-for-sale)	49		1		50
Property and equipment		3			3
Intangible assets (excluding goodwill)	3				3
Loans and receivables - customers	11				11
Issued debt and subordinated liabilities	16	-15			1
Provisions for pensions and post-retirement benefits	225	-225			
Deferred policy acquisition costs	1	1	-1		1
Other	54	-44		1	11
Total deferred tax liabilities before offsetting	**361**	**-280**		**2**	**83**
Offsetting DTL	314				62
Total deferred tax liabilities	**47**				**21**
Net deferred tax	1,194				724
Deferred tax through income statement and equity		**391**	**81**		

(in millions)	As at 1 January 2012	Income statement	Equity	Other	As at 31 December 2012
Deferred tax assets:					
Assets held for trading and derivatives	558	12	61	12	643
Investments (Available-for-sale)	126	-1	-78	-4	43
Property and equipment	16	1		1	18
Intangible assets (excluding goodwill)	2	-1			1
Loans and receivables - customers	6	-4			2
Impairments on loans	32	42		-8	66
Provisions for pensions and post-retirement benefits	19	-76	453		396
Accrued expenses and deferred income	6	71			77
Unused tax losses and unused tax credits	582	-304		-7	271
Other	-69	110		-3	38
Total deferred tax assets before offsetting	**1,278**	**-150**	**436**	**-9**	**1,555**
Offsetting DTA	139				314
Total deferred tax assets	**1,139**				**1,241**
Deferred tax liabilities related to:					
Assets held for trading and derivatives		2			2
Investments (Available-for-sale)	29	-3	22	1	49
Property and equipment	2	-2			
Intangible assets (excluding goodwill)		3			3
Loans and receivables - customers	15	-4			11
Impairments on loans	3	-3			
Issued debt and subordinated liabilities	9	7			16
Provisions for pensions and post-retirement benefits	86	139			225
Deferred policy acquisition costs	2	-1			1
Deferred expense and accrued income	2	-2			
Other	32	18		4	54
Total deferred tax liabilities before offsetting	**180**	**154**	**22**	**5**	**361**
Offsetting DTL	139				314
Total deferred tax liabilities	**41**				**47**
Net deferred tax	1,098				1,194
Deferred tax through income statement and equity		**304**	**-414**		

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. This is based on estimates of sufficient taxable income by jurisdiction in which ABN AMRO operates, available tax planning opportunities, and the period over which deferred tax assets are recoverable. Management considers this more likely than not. In the event that actual results differ from these estimates in future periods, and depending on the tax strategies that ABN AMRO may be able to implement, changes to the recognition of deferred tax assets could be required, which could impact ABN AMRO's financial position and net profit.

Tax losses

The total accumulated losses available for carry-forward at 31 December 2014 amounted to EUR 1,415 million (2013: EUR 1,337 million), of which EUR 32 million (2013: EUR 112 million) could be recognised for future tax benefits. The recorded deferred tax asset for tax losses carried forward amounted to EUR 11 million (2013: EUR 38 million).

Unrecognised tax assets

Deferred tax assets of EUR 258 million (2013: EUR 224 million) have not been recognised in respect of gross tax losses of EUR 1,383 million (2013: EUR 1,225 million) because taxable profits are not considered probable.

Tax credits and unrecognised tax credits

ABN AMRO had carry-forward tax credits of EUR 4 million at 31 December 2014 (2013: EUR 5 million) which are not recognised because offset to future tax benefits is not expected.

The following tables show when the operating losses and tax credits as at 31 December 2014 will expire.

Loss carry-forward 2014:

(in millions)	2015	2016	2017	2018	2019	After 5 years	No expiration	Total
Loss carry forward recognised						12	20	32
Loss carry forward not recognised							1,383	1,383
Total tax losses carry forward (gross)						**12**	**1,403**	**1,415**

Tax credits 2014:

(in millions)	2015	2016	2017	2018	2019	After 5 years	No expiration	Total
Tax credits recognised						2	3	4
Tax credits not recognised								
Total tax credits carry forward (gross)						**2**	**3**	**4**

As from 31 December 2014, ABN AMRO recognised net deferred tax assets of EUR 43 million (2013: EUR 709 million) that exceed deferred tax liabilities in entities which have suffered a loss in either 2014 or 2013.

Tax related to each component of other comprehensive income and tax related to equity can be found in the Consolidated statement of comprehensive income and in the Consolidated statements of changes in equity. As a result of the amended pension accounting standard IAS 19, the total deferred tax impact on equity is not equal to the tax impact on Other comprehensive income as shown in the Consolidated statement of comprehensive income. More information is provided in note 28 Pension and other post-retirement employee benefits.

Income tax consequences of dividend

The Managing Board proposes, subject to the approval of the Supervisory Board, to declare a final dividend of EUR 275 million for the ordinary shares. The dividend will be subjected to a withholding tax of EUR 41 million.

Country-by-country reporting

The following table provides an overview of total operating income, average number of FTEs, net profit/(loss) for the year, income tax expense and received government grants per country. In addition, the following table shows the principal subsidiary/entity and main activity for each country. The full list of participating interests as referred to in Article 414, Book 2 of the Dutch Civil Code has been filed with the Trade Register.

As this regulation is only applicable as from 1 January 2014, no previous reporting dates are shown in this table.

	31 December 2014					
	Principal subsidiary/entity	Main activity	Total operating income (in millions)	Average number of FTEs	Operating profit/(loss) before taxation (in millions)	Income tax expense (in millions)
Netherlands	ABN AMRO Bank N.V.	Retail Banking	6,622	18,371	1,111	297
- of which international activities			66	159	45	11
France	Banque Neuflize OBC S.A.	Private Banking	316	972	68	20
Germany	Bethmann Bank AG	Private Banking	264	590	82	11
Belgium	ABN AMRO Bank N.V. Branch Belgium ID&JG	Private Banking	84	236	9	19
Luxembourg	ABN AMRO Bank (Luxembourg) S.A.	Private Banking	52	158	10	5
Great Britain	ABN AMRO Commercial Finance Plc	Corporate Banking	61	364	-1	
Jersey	ABN AMRO Bank N.V. Jersey Branch	Private Banking	44	63	24	
Norway	ABN AMRO Bank N.V. Oslo Branch	Corporate Banking	50	22	39	11
Guernsey	ABN AMRO (Guernsey) Ltd.	Private Banking	24	93	-17	
United States	ABN AMRO Clearing Chicago LLC	Corporate Banking	194	352	86	28
Brasil	ABN AMRO Brasil Participações	Corporate Banking	13	66	6	3
Singapore	ABN AMRO Bank N.V. Branch Singapore	Corporate Banking	149	430	72	10
Japan	ABN AMRO Clearing Tokyo Co. Ltd.	Corporate Banking	13	13	6	1
Hong Kong	ABN AMRO Bank N.V. Branch Hong Kong	Private Banking	114	294	37	6
United Arab Emirates	ABN AMRO Bank N.V. Branch UAE/DIFC	Private Banking	35	85	14	
Australia	ABN AMRO Clearing Sydney Pty Ltd.	Corporate Banking	16	49	8	3
Other			2	22	-6	-1
Total			**8,055**	**22,179**	**1,546**	**412**

No material government grants were received in 2014.

11 Cash and balances at central banks

This item includes cash on hand and available demand balances with central banks in countries in which the bank has a presence. Mandatory reserve deposits are disclosed in note 18 Loans and receivables – banks.

(in millions)	31 December 2014	31 December 2013	31 December 2012
Cash on hand and other cash equivalents	617	596	591
Balances with central banks readily convertible in cash other than mandatory reserve deposits	89	8,927	9,205
Total cash and balances at central banks	**706**	**9,523**	**9,796**

Cash and balances at central banks decreased by EUR 8.8 billion to EUR 706 million predominantly due to a decrease in overnight positions placed at DNB.

12 Financial assets and liabilities held for trading

Accounting policy for financial assets and liabilities held for trading

In accordance with IAS 39, all assets and liabilities held for trading are held at fair value with gains and losses in the changes of the fair value taken to Net trading income in the income statement.

Financial assets held for trading

The following table shows the composition of assets held for trading.

(in millions)	31 December 2014	31 December 2013	31 December 2012
Trading securities:			
Government bonds	2,326	2,906	2,127
Corporate debt securities	924	873	799
Equity securities	4,946	6,471	2,539
Total trading securities	**8,196**	**10,250**	**5,465**
Trading book loans	821	1,032	1,118
Commodities		737	506
Total assets held for trading	**9,017**	**12,019**	**7,089**

The decrease in Total assets held for trading is mainly related to lower volume of the trading securities portfolio (EUR 2 billion). Equity securities declined as a result of the discontinuation of the equity derivatives portfolio (EUR 2 billion). This was partly offset by an increase in asset gathering on behalf of Securities financing activities (EUR 0.5 billion). Government bonds were lower mainly because the hedge related to the Short-Term Interest Rate Trading positions (EUR 0.3 billion) ceased and one Total Return Swap (TRS) portfolio which was terminated this year (EUR 0.3 billion). Trading book loans declined as a result of the reclassification of swaptions fees which are now reported as Derivatives - Over-the-counter (EUR 0.3 billion).

Contracts related to commodities have been reassessed as being financing activities and were reclassified to Loans and receivables - customers in 2014.

Financial liabilities held for trading

The following table shows the composition of liabilities held for trading.

(in millions)	31 December 2014	31 December 2013	31 December 2012
Bonds	1,710	1,988	1,975
Equity securities	2,016	1,787	1,163
Total short security positions	**3,725**	**3,775**	**3,138**
Other liabilities held for trading	34	624	584
Total liabilities held for trading	**3,759**	**4,399**	**3,722**

Other liabilities held for trading were lower mainly due to the reclassification of swaptions fees which are now reported as Derivatives - Over-the-counter (EUR 0.6 million). The decrease in Short security positions - bonds is correlated with the decline of the long security positions (EUR 0.3 billion).

The fair value of assets pledged as security is shown in note 31.

13 Derivatives

Derivatives comprise derivatives held for trading and derivatives held for risk management purposes. Derivatives held for trading are closely related to facilitating the needs of ABN AMRO's clients. A significant part of the derivatives in the trading portfolio is related to serving clients in their risk management to hedge, for example, currency or interest rate exposures. Furthermore, ABN AMRO offers institutional and clients and governments products that are traded on the financial markets. Derivatives held for risk management purposes include the fair value of all derivatives qualifying as hedging instruments in fair value hedges and in cash flow hedges, hedge accounting derivatives, as well as the fair value of derivatives related to assets and liabilities designated as at fair value through profit or loss, economic hedges. A hedging instrument, for hedge accounting purposes, is a designated derivative whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item. From a risk perspective, the gross amount of trading assets must be associated together with the gross amount of trading liabilities, which are presented separately on the statement of financial position. However, IFRS does not allow netting of these positions in the statement of financial position.

Derivatives comprise the following:

										31 December 2014
	Derivatives held for trading			Economic hedges			Hedge accounting			Total derivatives
(in millions)	Interest rate	Currency	Other	Interest rate	Currency	Other	Interest rate	Currency	Other	
Exchange traded										
Fair value assets	13		2			21				36
Fair value liabilities	14		5			10				30
Notionals	163	8	205			2,396				2,773
Over-the-counter										
Central counterparties										
Fair value assets										
Fair value liabilities										
Notionals	544,841						40,372			585,213
Other billateral										
Fair value assets	15,998	3,346	370	254	215	23	4,591	452		25,249
Fair value liabilities	14,383	3,456	344	191	469	18	11,543	15		30,419
Notionals	213,089	163,334	8,719	3,853	27,794	116	93,890	1,399		512,193
Total										
Fair value assets	16,011	3,346	373	254	215	43	4,591	452		25,285
Fair value liabilities	14,398	3,457	348	191	469	28	11,543	15		30,449
Notionals	758,093	163,342	8,923	3,853	27,794	2,512	134,262	1,399		1,100,179

										31 December 2013
	Derivatives held for trading			Economic hedges			Hedge accounting			Total derivatives
(in millions)	Interest rate	Currency	Other	Interest rate	Currency	Other	Interest rate	Currency	Other	
Exchange traded										
Fair value assets	2		144			23				169
Fair value liabilities	2	1	143			30				176
Notionals	115	16	212			391				734
Over-the-counter										
Central counterparties										
Fair value assets										
Fair value liabilities										
Notionals	505,461	946					25			506,432
Other billateral										
Fair value assets	10,628	920	154	217	83	37	1,693	370		14,102
Fair value liabilities	8,713	767	223	152	381	24	6,787	4		17,051
Notionals	191,621	79,638	10,489	4,143	12,474	341	123,004	1,534		423,244
Total										
Fair value assets	10,630	920	298	217	83	60	1,693	370		14,271
Fair value liabilities	8,715	768	366	152	381	54	6,787	4		17,227
Notionals	697,198	80,600	10,701	4,143	12,474	732	123,029	1,534		930,411

	31 December 2012									
	Derivatives held for trading			Economic hedges			Hedge accounting			Total derivatives
(in millions)	Interest rate	Currency	Other	Interest rate	Currency	Other	Interest rate	Currency	Other	
Exchange traded										
Fair value assets	4	7	279			11				301
Fair value liabilities	2	1	514			23				540
Notionals	1	251	3,222			240				3,714
Over-the-counter										
Central counterparties										
Fair value assets										
Fair value liabilities										
Notionals	496,037	12								496,049
Other billateral										
Fair value assets	16,126	596	242	281	111	131	3,099	462		21,048
Fair value liabilities	14,889	745	225	160	25	8	10,807	109		26,968
Notionals	209,334	51,664	14,516	5,171	10,358	376	136,143	1,590		429,152
Total										
Fair value assets	16,130	603	521	281	111	142	3,099	462		21,349
Fair value liabilities	14,891	746	739	160	25	31	10,807	109		27,508
Notionals	705,372	51,927	17,738	5,171	10,358	616	136,143	1,590		928,915

Over-the-counter derivatives are cleared with a CCP and there is no value on ABN AMRO's Statement of financial position.

Increase in Fair value assets and liabilities related to Derivatives held for hedging was mainly driven by the decline of the yield curve as a result of the rate cut and other liquidity measures provided by the European Central Bank (ECB). Furthermore, this increase was partially determined by accrued fee income (EUR 0.3 billion) and expense (EUR 0.6 billion) related to swaptions which were reported in the Trading book loans in 2013.

The notional amount of the Derivatives held for trading were higher due to the growth in client activity determined by the increased volatility of the exchange rates market.

The hedging strategies are explained in greater detail in note 14.

14 Hedge accounting

Accounting policy for hedge accounting (IAS 39)

ABN AMRO enters into various derivative and non-derivative instrument transactions with external parties to hedge risks on assets, liabilities, forecasted cash flows and net investments. The accounting treatment of the hedged item and the hedging instrument is dependent on whether the hedge relationship qualifies for hedge accounting. Qualifying hedges may be designated as either fair value hedges, cash flow hedges or hedges of net investments. A non-derivative financial asset or liability may be designated as a hedging instrument for hedge accounting purposes only if it hedges the risk of changes in foreign currency exchange rates.

The hedged item can be an asset, liability, highly probable forecasted transaction or net investment in a foreign operation that (a) exposes the entity to risk of changes in fair value or future cash flows and (b) is designated as being hedged. The risks being hedged (the hedged risks) are typically changes in interest rates or foreign currency rates. ABN AMRO may also enter into credit risk derivatives (sometimes referred to as credit default swaps) for managing portfolio credit risk. However, these are generally not included in hedge accounting relationships.

Both at the inception of the hedge and on an ongoing basis, ABN AMRO formally assesses whether the derivatives used in its hedging transactions have been highly effective in offsetting changes in the fair value or cash flows of the hedged item, by assessing and measuring whether changes in the fair value or cash flows of the hedged item are offset by the changes in the fair value or cash flows of the hedging instrument.

Hedge ineffectiveness and gains and losses on components of a derivative that are excluded from the assessment of hedge effectiveness are recorded directly in Results from financial transactions as part of Other income. ABN AMRO discontinues hedge accounting when the hedge relationship has ceased to be effective or is no longer expected to be effective, or when the derivative or hedged item is sold or otherwise terminated.

Adoption of EU carved out version IAS 39

Micro fair value hedges is hedging of separate hedged items which can be assets and liabilities. For micro fair value hedging, ABN AMRO uses the 'carved out' version of IAS 39 as adopted by the European Union, which means that negative credit spreads are included in the hedge relationship for micro fair value hedging.

Macro fair value hedging implies that a group of financial assets is reviewed in combination and jointly designated as the hedged item. However, the portfolio may, for risk management purposes, include assets and liabilities. In this context, the starting difference between the fair value and the carrying value of the hedged item at the designation of the hedging relationship is amortised over the remaining life of the hedged item. For macro fair value hedging, ABN AMRO uses the carved out version of IAS 39 as adopted by the European Union, which removes some of the limitations on fair value hedges and the strict requirements on the effectiveness of those hedges. In this context, the impact of changes in the estimates of the re-pricing dates is only considered ineffective if it leads to over-hedging.

Fair value hedges

Where a derivative financial instrument hedges the exposure to changes in the fair value of the hedged item, the hedged item is adjusted in relation to the risk being hedged. Gains or losses on re-measurement of both the hedging instrument and the hedged item are recognised in the Income statement within Results from financial transactions as part of Other income. Hedge effectiveness for fair value hedges is measured as the amount by which the changes in the fair value of the hedging instrument are different from changes in the fair value of the hedged item. When a fair value hedge of interest rate risk is terminated, any value adjustment to the carrying amount of the hedged item is amortised to profit or loss over the original designated hedging period, or taken directly to income if the hedged item is derecognised.

Cash flow hedges

When a derivative financial instrument hedges the exposure to variability in the cash flows from a hedged item, the effective part of any gain or loss on re-measurement of the hedging instrument is recognised directly in equity. Hedge effectiveness for cash flow hedges is measured as the amount by which the changes in the fair value of the derivative are in excess of changes in the fair value of the expected cash flow in the cash flow hedge. Any ineffective part of the cash flow hedge is recognised in Other income immediately. When a cash flow hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss recognised in equity remains in equity.

The cumulative gains or losses recognised in equity is transferred to the income statement at the time when the hedged transaction affects net profit or loss and is included in the same line item as the hedged transaction. In the exceptional case that the hedged transaction is no longer expected to occur, the cumulative gains or losses recognised in equity are recognised in the Income statement immediately.

Forecasted transactions

When the hedging instrument effectively hedges a forecasted transaction or firm commitment, the changes in fair value of the hedging instrument are recognised in equity. Amounts deferred in equity are transferred to the income statement and classified as profit or loss in the periods during which the hedged firm commitment or forecasted transaction affects the income statement. If the hedge no longer meets the criteria for hedge accounting or is otherwise discontinued, but the hedged forecasted transactions or firm commitments are still expected to occur, hedge accounting is discontinued prospectively.

Hedging of net investments in foreign operations

ABN AMRO may enter into foreign currency derivatives and currency borrowings to hedge various net investments in foreign operations. For such hedges, currency translation differences arising on translation of the currency of these instruments to euros are recognised directly in the currency translation reserve in equity, insofar as they are effective. The cumulative gain or loss recognised in equity is transferred to the Income statement on the disposal of the foreign operation.

Hedges not qualifying for hedge accounting

The fair value changes of derivative transactions used to hedge against economic risk exposures that do not qualify for hedge accounting, or for which it is not cost beneficial to apply hedge accounting, are recognised directly through profit or loss.

Derivatives designated and accounted for as hedging instruments

The following results from ineffectiveness are recognised in Other income:

(in millions)	2014	2013	2012
Fair value hedges	-62	-5	1
Cash flow hedges	1	9	-16
Net investment hedging		1	-1
Total hedging results	**-62**	**5**	**-16**

The loss of EUR 62 million fair value hedges in 2014 is due to an increase of the hedge ineffectiveness as well as a refined methodology to measure this (in)effectiveness.

Overview of the fair value and notionals of hedging instruments

	Fair value hedges			Cash flow hedges			Economic hedges		
	Notional amount	Fair value		Notional amount	Fair value		Notional amount	Fair value	
(in millions)		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
31 December 2014									
Derivatives held for trading risk management									
Interest rate	87,970	2,602	8,594	46,292	1,989	2,949	3,853	254	191
Currency	1,399	452	15				27,794	215	469
Other							2,512	43	28
Total	**89,369**	**3,054**	**8,609**	**46,292**	**1,989**	**2,949**	**34,159**	**513**	**688**
31 December 2013									
Derivatives held for trading risk management									
Interest rate	84,687	1,190	5,119	38,342	503	1,668	4,143	217	152
Currency[1]	1,414	370	4	120			12,474	83	381
Other							732	60	54
Total	**86,101**	**1,560**	**5,123**	**38,462**	**503**	**1,668**	**17,349**	**360**	**587**
31 December 2012									
Derivatives held for trading risk management									
Interest rate	87,631	1,586	8,093	48,512	1,513	2,714	5,171	281	160
Currency[1]	1,406	461	109	184	1		10,358	111	25
Other							616	142	31
Total	**89,037**	**2,047**	**8,202**	**48,696**	**1,514**	**2,714**	**16,145**	**534**	**216**

1 Net investment hedge assets & notional amounts only occurred in 2013 and 2012. Because the amounts are relatively small these hedges have been presented on the currency lines in the Cash flow hedge columns.

Because the hedging derivatives are externalised through the Markets business line, some notional amounts were presented as Trading derivatives in 2013 and 2012. These data have been adjusted in the comparative 2013 and 2012 figures.

Fair value hedge accounting

ABN AMRO applies fair value hedge accounting on individual hedged items (micro fair value hedging) as well as on a portfolio of hedged items (macro fair value hedging).

Micro fair value hedge accounting

Hedging instruments designated in individual fair value hedge relationships principally consist of interest rate swaps, interest rate options and cross-currency interest rate swaps (only in 2012) that are used to protect against changes in the fair value of fixed rate assets and fixed rate liabilities due to changes in market interest rates.

For qualifying fair value hedges, all changes in the fair value of the derivative and in the fair value of the hedged item for the risk being hedged are recognised in the income statement.

Net effect of gains/(losses) arising from fair value hedge accounting:

(in millions)	2014	2013	2012
Gains/(losses) on the hedged assets attributable to the fair value hedged risk	1,859	-870	997
Gains/(losses) on hedging instruments used for the hedged assets	-1,947	848	-995
Gains/(losses) on the hedged liabilities attributable to the fair value hedged risk	-2,210	1,427	-2,173
Gains/(losses) on hedging instruments used for the hedged liabilities	2,252	-1,427	2,176
Net effect fair value hedge	**-46**	**-22**	**5**

Due to higher Euribor rates, the gains and losses on hedged items and hedging instruments in 2013 are opposite to those reportied in 2014 and 2012.

Macro fair value hedge accounting

ABN AMRO hedges interest rate exposures of fixed-rate mortgages on a portfolio basis using interest rate swaps. ABN AMRO applies a portfolio fair value hedge ('macro fair value hedge accounting') in which it designates interest rate swaps as hedging instruments and fixed-rate mortgages as hedged items. The hedge accounting relationship is reviewed and redesignated on a monthly basis.

As a result of the hedge, changes in the hedged item's fair value due to changes in the appropriate benchmark interest rate will be booked to the income statement and will be offset by changes in the fair value of the hedging derivative financial instrument.

Hedged mortgages are fixed-rate mortgages with the following features:
- denominated in local currency (euro);
- fixed term to maturity or re-pricing;
- pre-payable amortising or fixed principal amounts;
- fixed interest payment dates;
- no interest rate options;
- accounted for on an amortised cost basis.

Mortgages with these features form a portfolio of which the hedged item is designated in a fair value hedge accounting relationship. More than one group (or portfolio) of mortgages can be identified as the hedged item within the fixed-rate mortgage portfolio. Hedged items are designated on a monthly basis to maintain an effective hedge accounting relationship.

Mortgage cash flows are allocated to monthly time buckets based on expected maturity dates. ABN AMRO models the maturity dates of mortgages taking into account a prepayment rate applied to the contractual cash flows and maturity dates of the mortgage portfolio. If the swap notional exceeds 95% of the expected mortgage notional in any given month, then mortgages that mature one month earlier or one month later are designated to the swaps.

Changes in the fair value of mortgages which are attributable to the hedged interest rate risk are recorded under fair value adjustment from hedge accounting in order to adjust the carrying amount of the loan. The difference between the fair value attributable to the hedged interest rate risk and the carrying value of the hedged mortgages at de-designation of the hedge relationship is amortised over the remaining life of the hedged item.

(in millions)	2014	2013	2012
Gains/(losses) on the hedged assets attributable to the fair value hedged risk	948	-1,200	1,056
Gains/(losses) on hedging instruments used for the hedged assets	-964	1,217	-1,060
Net effect fair value hedge	**-16**	**17**	**-4**

Due to higher Euribor rates, the gains and losses on hedged items and hedging instruments in 2013 are opposite compared with 2014 and 2012.

Cash flow hedge accounting

ABN AMRO applies macro cash flow hedge accounting by which it designates interest rate swaps as hedging instruments and future cash flows on non-trading assets and liabilities as hedged items. The hedge accounting relationship is reviewed on a monthly basis and the hedging instruments and hedged items are de-designated or re-designated if necessary to maintain an effective hedge accounting relationship.

Future cash flows are derived from the projected balance sheet. This projected balance sheet is produced by Asset and Liability Management models and forms the basis for the management of interest rate risk. The model behind the projected balance sheet takes the contractual terms and conditions of financial assets and liabilities and combines these with estimated prepayments, growth rates and interest scenarios, based on statistical market and client data and an economic outlook. The primary interest-sensitive positions in the balance sheet stemming from the non-trading book are Loans and receivables, Liabilities due to banks and customers and Issued debt securities.

Within the projected balance sheet, new assets and liabilities and the future re-pricing of existing assets and liabilities are grouped based on their specific interest rate index on which they re-price (i.e. one month, three months, six months, one year). Per re-pricing index all assets and liabilities are allocated to monthly clusters in which they re-price up until their maturity. Interest rate swaps are designated to these clusters based on their re-pricing index and maturity.

The notional amounts of pay- or receive-floating swaps are designated to re-pricing all or a portion of current and forecasted assets and liabilities, respectively, in the clusters described above. These swap transactions are designated for hedge accounting purposes as a hedge of a gross position of a cluster of projected cash flows. In addition, the swap will only hedge the applicable floating swap rate portion of the interest re-pricing and re-investment risk of the cluster. The availability of projected cash flows in the clusters is not constant over time and therefore evaluated on a monthly basis. Changes in cash flow projections could lead to revision of the designation. Furthermore, back testing is performed on the interest rate risk sensitivity models. Historical data are used to review the assumptions applied.

Hedge accounting ineffectiveness recognised in the income statement related to cash flow hedging amounted to a profit of EUR 1 million in 2014 (2013: profit of EUR 9 million).

The maturity profile of forecast principal balances designated in the cash flow hedge is as follows:

(in millions)	Within 3 months	More than 3 months but within 1 year	More than 1 year but within 5 years	More than 5 years but within 10 years	More than 10 years
31 December 2014					
Assets	21,810	21,810	20,780		
Liabilities	24,302	20,835	6,585	6,585	3,500
Net assets/liabilities	**-2,492**	**975**	**14,195**	**-6,585**	**-3,500**
31 December 2013					
Assets	15,860	15,860	15,830		
Liabilities	22,482	22,482	6,585	6,585	3,500
Net assets/liabilities	**-6,622**	**-6,622**	**9,245**	**-6,585**	**-3,500**
31 December 2012					
Assets	17,551	16,749	12,005	2,325	
Liabilities	24,160	21,952	9,435	8,335	4,250
Net assets/liabilities	**-6,609**	**-5,203**	**2,570**	**-6,010**	**-4,250**

Net gains/(losses) on cash flow hedges transferred from equity to the income statement is as follows:

(in millions)	2014	2013	2012
Interest income	344	134	120
Interest expense	396	259	232
Subtotal	**-52**	**-125**	**-112**
Tax expense	-13	-31	-28
Total gains/(losses) on cash flow hedges	**-39**	**-94**	**-84**

Hedges of net investments in foreign operations

ABN AMRO limits its exposure to certain investments in foreign operations by hedging its net investment in its foreign operations with forward contracts.

15 Financial investments

Financial investments are classified as Available-for-sale or as held at fair value through profit or loss.

Accounting policy for available for sale investments

Available-for-sale assets are held at fair value with unrealised gains and losses recognised directly in Other comprehensive income, net of applicable taxes. Interest earned, premiums, discounts and qualifying transaction costs of interest earning available-for-sale assets are amortised to profit or loss on an effective interest rate basis. When available-for-sale assets are sold, collected or impaired, the cumulative gain or loss recognised in Other comprehensive income is transferred to Other income in the income statement.

Accounting policy for assets designated through profit and loss

Financial investments are designated at fair value through profit or loss when the instruments are held to reduce an accounting mismatch, are managed on the basis of its fair value, or include terms that have substantive derivative characteristics in nature.

The composition of financial investments is as follows:

(in millions)	31 December 2014	31 December 2013	31 December 2012
Financial investments:			
Available-for-sale	40,898	27,596	21,374
Held at fair value through profit or loss	589	530	375
Total, gross	**41,487**	**28,126**	**21,749**
Less: Available-for-sale impairment allowance	21	15	19
Total financial investments	**41,466**	**28,111**	**21,730**

The fair value of transferred assets is shown in note 31.

Investments available for sale

The fair value of ABN AMRO's Available-for-sale investments (including gross unrealised gains and losses) is specified as follows:

(in millions)	31 December 2014	31 December 2013	31 December 2012
Interest-earning securities:			
Dutch government	6,884	5,666	5,401
US Treasury and US government	1,939	1,495	1,548
Other OECD government	20,779	13,449	6,784
Non-OECD government	471	201	117
European Union	1,494	1,282	1,004
Mortgage and other asset-backed securities	3,243	3,544	3,731
Financial institutions	5,824	1,657	2,470
Non-financial institutions	37	89	123
Subtotal	**40,670**	**27,383**	**21,178**
Equity instruments	228	213	196
Total investment available-for-sale	**40,898**	**27,596**	**21,374**

The increase in available-for-sale investments was mainly related to further strengthening of the Liquidity Coverage Ratio (LCR) under Basel III.

Most of these instruments are part of the liquidity buffer and are held for liquidity contingency purposes. For this reason, the changes in the portfolio are mainly due to active management of the liquidity buffer.

Government bonds by country of origin

The government bonds by country of origin for 2014, 2013 and 2012 were as follows at 31 December:

	31 December 2014			31 December 2013			31 December 2012		
(in millions)	Gross unrealised gains/(losses) and fair value hedges gains/ (losses)[1]	Impair-ments	Fair value	Gross unrealised gains/(losses) and fair value hedges gains/ (losses)[1]	Impair-ments	Fair value	Gross unrealised gains/(losses) and fair value hedges gains/ (losses)[1]	Impair-ments	Fair value
Dutch national government	869		6,884	369		5,666	742		5,401
French national government	402		4,420	184		4,734	204		2,220
German national government	553		4,016	208		1,654	325		1,305
Belgian national government	364		2,672	110		2,006	23		139
Finnish national government	233		2,165	25		1,044	62		678
Austrian national government	477		1,994	251		1,562	320		1,454
USA national government	8		1,939	9		1,495	28		1,548
Japanese national government			1,880			519			18
European Union bonds	192		1,494	82		1,282	90		1,004
Italian national government	122		974	29		534	14		370
Swiss national government			643			245			
Spanish national government			500			75			
Polish national government	119		410	54		345	60		350
Swedish national government	6		314			93			3
Great Britain national government	79		313	28		245	50		235
Danish national government			209			205			3
Hong Kong			194			76			39
Luxembourg national government	16		148			81			3
Brazil			143			64			
Singapore national government			134			61			78
Canadian national government	8		120			107			
Other national governments[2]									6
Total government bonds	**3,449**		**31,567**	**1,349**		**22,093**	**1,918**		**14,854**

1 Of the total gross unrealised gains (losses), fair value hedge accounting was applied for an amount of EUR 3,1 billion as at 31 December 2014 (2013: EUR 1.4 billion; 2012: EUR 1.9 billion). Gains of EUR 288 million (2013: loss EUR 61 million; 2012: loss EUR 22 million) were recognised in Equity.
2 In 2012 other national governments consists mainly of Australian bonds (EUR 5 million).

No impairment charges were recorded on these government bonds.

More information on country risk positions is provided in the Risk management section of this Annual Report.

Critical accounting estimates and judgements

Interest-bearing securities and equities classified as available-for-sale investments are assessed at each reporting date to determine whether they are impaired. For equities this review considers factors such as the credit standing and prospects of the issuer, any reduction in fair value below cost, its direction and whether the reduction is significant or prolonged. In general, ABN AMRO uses as triggers for a significant or prolonged decline in the fair value below cost 20% and 9 months respectively. An interest-bearing security is impaired and an impairment loss incurred if there is objective evidence that an event since initial recognition of the asset has adversely affected the amount or timing of future cash flows from the asset.

If, in a subsequent period, the fair value of a debt security classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed through the income statement.

Impairment losses recognised on equity instruments can never be reversed through the income statement.

The following table provides information on impairments on available-for-sale investments.

(in millions)	2014	2013	2012
Balance as at 1 January	**15**	19	16
Increase in impairments		3	4
Reversal on sale/disposal	-1	-7	-1
Foreign exchange differences and other adjustments	7		
Balance as at 31 December	**21**	**15**	**19**

Investments designated at fair value through profit or loss

The following table provides information at 31 December about the investments that are held at fair value and for which unrealised gains or losses are recorded through profit or loss.

(in millions)	31 December 2014	31 December 2013	31 December 2012
Government bonds	263	214	208
Corporate debt securities	2	13	5
Private equities and venture capital	246	121	134
Equity securities	78	182	28
Total investments held at fair value through profit or loss	**589**	**530**	**375**

In Corporate Banking, some private equity investments are measured at fair value through profit or loss, reflecting the business of investing in financial assets to benefit from their total return in the form of interest or dividend and changes in fair value.

16 Securities financing

Accounting policy for securities financing

Securities financing consists of securities borrowing and lending and sale and repurchase transactions. Securities borrowing and securities lending transactions are generally entered into on a collateralised basis, with securities usually advanced or received as collateral. The transfer of the securities themselves is not reflected in the statement of financial position unless the risks and rewards of ownership are also transferred. If cash is advanced or received, securities borrowing and lending activities are recorded at the amount of cash advanced (included in Loans and receivables) or received (Due to banks or customers). The market value of the securities borrowed or lent is monitored on a daily basis, and the collateral levels are adjusted in accordance with the underlying transactions. Fees and interest received or paid are recognised on an effective interest basis and recorded as interest income or interest expense.

Sale and repurchase transactions involve purchases (or sales) of investments with agreements to resell (or repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans and receivables to either banks or customers and are shown as collateralised by the underlying security.

Investments sold under repurchase agreements continue to be recognised in the Statement of financial position. The proceeds from the sale of the investments are reported as liabilities to either banks or customers. The difference between the sale and repurchase price is recognised over the period of the transaction and recorded as interest income or interest expense, using the effective interest method. If borrowed securities are sold to third parties, the proceeds from the sale and a liability for the obligation to return the collateral are recorded at fair value.

	31 December 2014		31 December 2013		31 December 2012	
(in millions)	Banks	Customers	Banks	Customers	Banks	Customers
Assets						
Reverse repurchase agreements	936	6,518	2,374	3,558	7,092	7,349
Securities borrowing transactions	3,363	6,116	4,570	5,710	6,484	4,552
Unsettled securities transactions	163	1,415	299	1,851	702	2,614
Total	**4,462**	**14,049**	**7,243**	**11,119**	**14,278**	**14,515**
Liabilities						
Repurchase agreements	1,736	7,457	3,032	5,500	3,097	12,148
Securities lending transactions	672	2,779	779	1,690	1,129	2,527
Unsettled securities transactions	256	1,018	396	869	143	477
Total	**2,663**	**11,254**	**4,207**	**8,059**	**4,369**	**15,152**

Securities financing transactions include balances relating to reverse repurchase activities and cash collateral on securities borrowed. ABN AMRO controls credit risk associated with these activities by monitoring counterparty credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited with or returned to ABN AMRO when deemed necessary.

The increase in the professional securities took place mainly in the reverse repurchase agreements with customers. This increase was mainly due to onboarding of parties with significantly larger Agency Mortgage collaterals.The volume of these trades was larger and the spread captured was larger.

Items of securities financing transactions which ABN AMRO can repledge or resell are included in note 32 Transferred, pledged, encumbered and restricted assets.

17 Fair value of financial instruments carried at fair value

Accounting policy for fair value of financial instruments

The fair value is defined as the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants at the measurement date.

For financial instruments that are actively traded and for which quoted market prices or market parameters are readily available, there is high objectivity in the determination of the fair value. However, when observable market prices and parameters do not exist, management judgement is necessary to estimate fair value.

For financial instruments where no active liquid market exists, or quoted prices are unobtainable, recent market transactions are used or the fair value is estimated using a variety of valuation techniques – including reference to similar instruments for which market prices do exist, or to valuation models such as discounted cash flow calculation or option pricing models (e.g. Black Scholes).

If portfolios of financial assets and liabilities are measured on the basis of the net exposure to market risks, then judgements are applied in determining appropriate portfolio level adjustments such as bid-ask spreads. Such adjustments are derived from observable bid-ask spreads for similar instruments and adjusted for factors specific to the portfolio. Similarly, when portfolios of financial assets and liabilities are measured on the basis of the net exposure to the credit risk of a particular counterparty, then any existing arrangements that mitigate the credit risk exposure (e.g. master netting agreements with the counterparty) are taken into account.

Unobservable inputs are estimated using a combination of management judgement, historical data, market practice and benchmarking to other relevant observable market data. The difference between the transaction price and the internal valuation at inception, calculated using a model, is reserved and amortised to profit or loss at appropriate points over the life of the instrument, typically taking account of the ability to obtain reliable external data, the passage of time and the use of offsetting transactions. Where inputs to the valuation of a new transaction cannot be reliably sourced from external providers, the transaction is initially recognised at its transaction price. Subsequent changes in fair value as calculated by the valuation model are reported as profit or loss or in equity.

In order to determine a reliable fair value, where appropriate, management applies valuation adjustments to the pricing information derived from the above sources. These adjustments reflect management's assessment of factors that market participants would consider in setting a price, to the extent that these factors have not already been included in the information from the above sources. The main valuation adjustments required to arrive at a fair value are as follows:

- Bid-ask adjustments. Bid-ask prices are derived from market sources, such as broker data;
- Credit and debit valuation adjustments. In addition to credit valuation for loans valued as at fair value through profit or loss, credit valuation adjustments and debit valuation adjustments are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and ABN AMROs' own credit quality respectively;
- Funding Valuation Adjustments. Funding Valuation Adjustment incorporates the incremental cost of funding into the valuation of uncollateralized and partially collateralised derivatives;
- Own credit adjustment. An own credit adjustment is applied to positions where it is believed that counterparties will consider ABN AMRO's creditworthiness when pricing trades;
- Model valuation adjustments for any known limitations. Management assesses the appropriateness of any model used on an ongoing basis. To the extent that the price provided by internal models does not represent the fair value of the instrument, for instance in highly stressed market conditions, management makes adjustments to the model valuation to calibrate to other available pricing sources.

We believe our estimates of the fair value are adequate. However, the use of different models or assumptions could result in changes to our reported results.

Internal controls over fair value

ABN AMRO has designated controls and processes for determining the fair value of financial instruments. A process has been designed to ensure there are formalised review protocols for independent review and validation of fair values separate from those businesses entering into the transactions. This includes specific controls to ensure consistent pricing policies and procedures, incorporating disciplined price verification for both market and counterparty risk trades.

The business entering into the transaction is responsible for the initial determination and recording of the fair value of the transaction. There are daily controls over the profit or loss recorded by trading and treasury front-office staff.

A key element of the control environment, segregated from the recording of the transaction's valuation, is the independent price verification process. Valuations are first calculated by the business. Such valuations may be current bid or offer prices in an active market, or may be derived using a model and variable model inputs. These valuations are reviewed, and if necessary amended, by the independent price verification process. This process involves a team independent of those trading the financial instruments performing a review of valuations in the light of available pricing evidence. Independent price verification is frequently performed by matching the business valuations with independent data sources. For liquid instruments the process is performed daily. The minimum frequency of review is monthly for trading positions, and six-monthly for non-trading positions. The independent price verification control includes formalised reporting and escalation to management of any valuation differences in breach of defined thresholds. When models are used to value products, those models are subject to a model review process. This process requires different levels of model documentation, testing and review, depending on the complexity of the model and the size of ABN AMRO's exposure to the model.

Valuation techniques

ABN AMRO uses a number of methodologies to determine the fair value of financial instruments for which observable prices in active markets for identical instruments are not available.

Values between and beyond available data points are obtained by interpolation and/or extrapolation. When using valuation techniques, the fair value can be significantly impacted by the choice of valuation model and underlying assumptions made concerning factors such as the amount and timing of cash flows, discount rates and credit risk. The principal inputs to these valuation techniques are listed below:

- bond prices – quoted prices are generally available for government bonds, certain corporate securities and some mortgage-related products;
- credit spreads – where available, these are derived from prices of credit default swaps (CDS) or other credit-based instruments, such as debt securities. For others, credit spreads are obtained from pricing services;
- interest rates – these are principally benchmark interest rates such as the interbank rates and quoted interest rates in the swap, bond and futures markets;
- foreign currency exchange rates – there are observable markets both for spot and forward contracts and futures in the world's major currencies;
- equity and equity index prices – quoted prices are generally readily available for equity shares listed on the world's major stock exchanges and for major indices on such shares;
- commodity prices – many commodities are actively traded in spot and forward contracts and futures on exchanges in London, New York and other commercial centres;
- price volatilities and correlations – volatility is a measure of the tendency of a price to change with time. Correlation measures the degree to which two or more prices or other variables are observed to move together. If they move in the same direction there is positive correlation; if they move in opposite directions there is negative correlation. Volatility is a key input in valuing options and the valuation of certain products such as derivatives with more than one underlying variable that are correlation dependent. Volatility and correlation values are obtained from broker quotations, pricing services or derived from option prices;
- prepayment rates – the fair value of a financial instrument that can be prepaid by the issuer or borrower differs from that of an instrument that cannot be prepaid. In valuing pre-payable instruments that are not quoted in active markets, ABN AMRO considers the value of the prepayment option;
- counterparty credit spreads – adjustments are made to market prices (or parameters) when the creditworthiness of the counterparty differs from that of the assumed counterparty in the market price (or parameters);
- recovery rates/loss given default - these are used as an input to valuation models and reserves for asset-backed securities as an indicator of severity of losses on default. Recovery rates are primarily sourced from market data providers or inferred from observable credit spreads.

ABN AMRO refines and modifies its valuation techniques as markets and products develop and as the pricing for individual products becomes more or less readily available. While ABN AMRO believes its valuation techniques are appropriate and consistent with other market participants, the use of different methodologies or assumptions could result in different estimates of the fair value at the reporting date.

Fair value hierarchy

ABN AMRO analyses financial instruments held at fair value in the three categories as described below.

Level 1 financial instruments are those that are valued using unadjusted quoted prices in active markets for identical financial instruments.

Level 2 financial instruments are those valued using techniques based primarily on observable market data. Instruments in this category are valued using quoted prices for similar instruments or identical instruments in markets which are not considered to be active; or valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.

Level 3 financial instruments are those valued using a valuation technique where at least one input, which has a significant effect on the instrument's valuation, is not based on observable market data. A significant effect on the instrument's valuation is considered to be present when the unobservable input accounts for at least 10% of the total instrument's fair value. The effect of fair value adjustments on the instrument's valuation is included in the assessment.

The following table presents the valuation methods used in determining the fair value of financial instruments carried at fair value.

				31 December 2014
(in millions)	Quoted market prices in active markets	Valuation techniques -observable inputs	Valuation techniques -significant unobservable inputs	Total fair value
Assets				
Financial assets held for trading	8,196	821		9,017
- of which Government bonds and Corporate debt securities	3,250			3,250
- of which Equity securities	4,946			4,946
- of which Other financial assets held for trading		821		821
Derivatives held for trading	15	19,715		19,730
Derivatives not held for trading	21	5,469	66	5,555
Available-for-sale interest earning securities	35,909	3,173	1,588	40,670
Available-for-sale equities	107	20	80	207
Financial investments designated at fair value through profit or loss	315	2	271	589
Unit-linked investments	1,711	741		2,453
Total financial assets	**46,275**	**29,941**	**2,005**	**78,221**
Liabilities				
Financial liabilities held for trading	3,725	34		3,759
- of which Bonds	1,710			1,710
- of which Equity securities	2,016			2,016
- of which Other financial liabilities held for trading		34		34
Derivatives held for trading	20	18,183		18,203
Derivatives not held for trading	10	12,171	64	12,246
Issued debt		1,981		1,981
Unit-linked for policyholders	1,711	741		2,453
Total financial liabilities	**5,467**	**33,111**	**64**	**38,642**

(in millions)	Quoted market prices in active markets	Valuation techniques -observable inputs	Valuation techniques -significant unobservable inputs	31 December 2013 Total fair value
Assets				
Financial assets held for trading	10,987	1,032		12,019
- of which Government bonds and Corporate debt securities	3,779			3,779
- of which Equity securities	6,471			6,471
- of which Other financial assets held for trading	737	1,032		1,769
Derivatives held for trading	146	11,702		11,848
Derivatives not held for trading		2,348	75	2,423
Available-for-sale interest earning securities	25,734	586	1,063	27,383
Available-for-sale equities	119	17	62	198
Financial investments designated at fair value through profit or loss	409		121	530
Unit-linked investments	1,557	614		2,171
Total financial assets	**38,952**	**16,299**	**1,321**	**56,572**
Liabilities				
Financial liabilities held for trading	3,775	624		4,399
- of which Bonds	1,988			1,988
- of which Equity securities	1,787			1,787
- of which Other financial liabilities held for trading		624		624
Derivatives held for trading	146	9,703		9,849
Derivatives not held for trading		7,305	73	7,378
Issued debt		2,071		2,071
Unit-linked for policyholders	1,557	614		2,171
Total financial liabilities	**5,478**	**20,317**	**73**	**25,868**

(in millions)	Quoted market prices in active markets	Valuation techniques -observable inputs	Valuation techniques -significant unobservable inputs	Total fair value
				31 December 2012
Assets				
Financial assets held for trading	5,971	1,118		7,089
- of which Government bonds and Corporate debt securities	2,926			2,926
- of which Equity securities	2,539			2,539
- of which Other financial assets held for trading	506	1,118		1,624
Derivatives held for trading	290	16,964		17,254
Derivatives not held for trading		3,992	103	4,095
Available-for-sale interest earning securities	18,542	1,592	1,044	21,178
Available-for-sale equities	116	27	34	177
Financial investments designated at fair value through profit or loss	241		134	375
Unit-linked investments	1,478	692		2,170
Total financial assets	**26,638**	**24,385**	**1,315**	**52,338**
Liabilities				
Financial liabilities held for trading	3,144	578		3,722
- of which Bonds	1,975			1,975
- of which Equity securities	1,163			1,163
- of which Other financial liabilities held for trading	6	578		584
Derivatives held for trading	517	15,859		16,376
Derivatives not held for trading		11,032	100	11,132
Issued debt		2,321		2,321
Unit-linked for policyholders	1,478	692		2,170
Total financial liabilities	**5,139**	**30,482**	**100**	**35,721**

Transfers between levels 1 and 2

There were no material transfers between levels 1 and 2.

Transfers from levels 1 and 2 into 3

In 2014, interest earnings securities transferred from level 2 to level 3 for an amount of EUR 648 million. The main unobservable input became a significant component to the fair value measurement.

Movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amounts of level 3 financial assets that are recorded at fair value.

(in millions)	Assets			Liabilities
	Financial investments available for sale	Financial investments designated at fair value through profit or loss	Derivatives not held for trading	Derivatives not held for trading
Balance at 31 December 2012	**1,078**	**134**	**103**	**100**
Purchases	6	21		
Sales		-7		
Redemptions	-8			
Unrealised gains/(losses)	26	-27	-28	-27
Other movements[2]	23			
Balance at 31 December 2013	**1,125**	**121**	**75**	**73**
Purchases	5	174		
Sales		-20		
Redemptions	-116			
Gains/(losses) recorded in profit and loss[1]		1		
Unrealised gains/(losses)	6	-6	-9	-9
Other movements[2]	641	2		
Balance at 31 December 2014	**1,668**	**271**	**66**	**64**

1 Included in Other operating income. All assets were held at balance sheet date.
2 During 2014 the interest earning securities were reassessed and consequently an amount of EUR 648 million was transferred from level 2 to level 3.

Level 3 sensitivity information

Equities designated at fair value through profit or loss

Equities designated at fair value through profit and loss classified as level 3 mainly comprise private equity investments.

Private equity shares are designated at fair value through profit and loss and classified as level 3. In general, private equity investments cannot be valued directly from quoted market prices or by using valuation techniques supported by observable market data or other market data. The fair value is determined using comparable pricing in accordance with the European Private Equity and Venture Capitalist Association (EVCA) guidelines. This valuation technique is based on earnings multiples of comparable listed companies.

The fair value of the private equity investments is based on earnings multiples of comparable listed companies. As a consequence, the fair value calculation of an investment is strongly linked with movements on the public (share) markets. The sensitivity is determined by stressing the earnings multiples in a positive and negative market scenario.

Government bonds - Corporate debt securities

ABN AMRO has a position in a Polish bond, denominated in EUR, for which the market is relatively illiquid. The bond is valued using a discounted cash flow model. The main inputs are the interest rate curve, liquidity spread and credit spread. The valuation spread is determined using an internal model and is therefore an unobservable input. The sensitivity analysis is performed by using a range of reasonable valuation spreads.

The debt securities consist of non-listed residential mortgage-backed securities (RMBS). These are structured in such a way that prepayments on the underlying mortgage portfolio are used to repay the holder of the A-note. The fair value is determined using a discounted cash flow model based on inputs such as the interest rate curve, discount spread and prepayment rate. The prepayment rate is identified as a significant unobservable input. The sensitivity analysis is performed by stressing this rate.

Equity shares - preferred shares

These shares hold the characteristic that their dividend is fixed for a period of 10 years, after which the dividend is redetermined and the shares can also be redeemed. The position is valued using a discounted cash flow model for which the relevant inputs are the interest curve, liquidity spread and credit spread. The liquidity spread and credit spread are unobservable inputs and are derived from similar securities. The sensitivity of the preferred shares is determined by using a range of reasonable spreads and by considering the call option that is held by the issuer.

Derivatives

Securitisation swaps linked to the RMBS transactions are valued using a discounted cash flow model for which the behaviour of the underlying mortgage portfolio is also relevant. Inputs used to determine fair value are the interest rate curve and prepayment rate. The latter is the significant unobservable input that classifies these instruments as level 3. The sensitivity analysis is performed by stressing the prepayment rate.

Interest rate swaps related to RMBS transactions are valued based on assumptions about the behaviour of the underlying mortgage portfolio and the characteristics of the transaction. Cash flows are forecast and discounted using appropriate forward and discount curves.

The following tables present the level 3 financial instruments carried at fair value at balance sheet date. The fair value is based on a valuation technique with one or more significant unobservable inputs. There may be uncertainty about a valuation resulting from the choice of the valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a result of other elements affecting the valuation technique or model. ABN AMRO has performed a sensitivity analysis for each level 3 instrument category. Reasonably possible alternative assumptions of the significant unobservable inputs are used to determine whether a change in the amount of these inputs would have a significant impact on total fair value.

(in millions)	Valuation technique	Unobservable data	Carrying value	Minimum range	Maximum range	Weighted average	Reasonably possible alternative assumptions: Increase in fair value	Reasonably possible alternative assumptions: Decrease in fair value
31 December 2014								
Equity shares	Private equity-valuation	EBITDA multiples	351	5.0%	9.8%	7.0%	20	-20
Interest earning securities - Government bonds	Discounted cash flow	Liquidity and credit spread	410	77 bps	145 bps	111 bps	17	-17
Interest earning securities - other	Discounted cash flow	Prepayment rate	1,178	0.0%	10.0%	8.0%	52	-9
Derivatives not held for trading - assets/liabilities (net)	Discounted cash flow	Prepayment rate	2	0.0%	10.0%	8.0%		
31 December 2013								
Equity shares	Private equity-valuation	EBITDA multiples	183	5.0%	10.0%	7.6%	21	-21
Interest earning securities	Discounted cash flow	Prepayment rate	1,063	0.0%	10.0%	5.0%	34	-34
Derivatives not held for trading - assets/liabilities (net)	Discounted cash flow	Prepayment rate	2	0.0%	10.0%	5.0%	2	-2
31 December 2012								
Equity shares	Private equity-valuation	EBITDA multiples	168	6.1%	10.3%	7.2%	20	-20
Interest earnings securities	Discounted cash flow	Prepayment rate	1,044	0.0%	10.0%	5.0%	34	-34
Derivatives not held for trading - assets/liabilities (net)	Discounted cash flow	Prepayment rate	3	0.0%	10.0%	5.0%	3	-3

18 Loans and receivables - banks

Accounting policy for loans and receivables from banks and customers

According to IAS 39 Financial Instruments, Loans and receivables from banks and customers are held at amortised cost, i.e. fair value at initial recognition adjusted for repayment and amortisation of coupon, fees and expenses to represent the effective interest rate of the asset or liability.

(in millions)	31 December 2014	31 December 2013	31 December 2012
Interest-bearing deposits	3,560	15,971	21,483
Loans and advances	11,382	7,621	10,219
Mandatory reserve deposits with central banks	6,724	221	287
Other	15	154	194
Subtotal	**21,680**	**23,967**	**32,183**
Less: loan impairment allowance			
Loans and receivables - banks	**21,680**	**23,967**	**32,183**

Loans and receivables – banks declined by EUR 2.3 billion. This resulted from a decrease in the interest-bearing deposits and an increase in the loans and advances and the mandatory reserve deposits with central banks.

Interest-bearing deposits decreased by EUR 12.4 billion mainly as a result of the termination of the Tender loans by the ECB (EUR 10 billion).

Loans and advances increased by EUR 3.8 billion due to higher cash collateral positions.

The excess balance on the Mandatory reserve deposits with central banks is included in Cash and balances at central banks as this excess is readily convertible into cash. Mandatory reserve deposits with central banks are not available for use in the bank's day-to-day operations.

19 Loans and receivables - customers

The accounting policy for loans and receivables is included in note 18.

(in millions)	31 December 2014	31 December 2013	31 December 2012
Residential mortgages	148,402	150,493	154,129
Fair value adjustment from hedge accounting on residential mortgages	4,134	3,531	4,906
Residential mortgages, gross	**152,536**	**154,024**	**159,035**
Less: loan impairment allowances - residential mortgage loans	538	585	370
Residential mortgages	**151,998**	**153,439**	**158,665**
Consumer loans, gross	16,052	16,241	16,645
Less: loan impairment allowances - consumer loans	654	613	445
Consumer loans	**15,398**	**15,628**	**16,200**
Commercial loans	84,694	83,462	85,592
Fair value adjustment from hedge accounting on commercial loans	1,605	868	1,135
Financial lease receivables	3,357	3,184	3,045
Factoring	1,648	1,403	1,182
Commercial loans, gross[1]	**91,305**	**88,917**	**90,954**
Less: loan impairment allowances - commercial loans	3,439	3,672	4,594
Commercial loans	**87,866**	**85,245**	**86,360**
Government and official institutions	1,971	768	1,330
Other loans	4,806	2,053	
Other loans and receivables customers, gross	**6,777**	**2,821**	**1,330**
Less impairments:	129	105	103
Other loans and receivables customers	**6,648**	**2,716**	**1,227**
Loans and receivables - customers	**261,910**	**257,028**	**262,452**

[1] Commercial loans, gross includes EUR 9,635 million for capital markets solutions (2013: EUR 9,798 million; 2012: EUR 11,949 million).

Loans and receivables – customers increased by EUR 4.9 billion, due mainly to an increase in other loans.

Residential mortgages decreased by EUR 2.1 billion to EUR 148.4 billion as increased new mortgage production was more than offset by higher additional redemptions, especially in the final quarter. The spike in extra repayments can partly be explained by the expiration of tax-beneficial mortgage-related gifts.

Commercial loans increased by EUR 1.2 billion and was positively influenced by growth in the ECT Clients loan book. Commercial loans to small commercial clients declined as the number of credit applications remained at low levels in 2014.

Government and official institutions increased by EUR 1.2 billion due to higher cash collaterals for derivatives.

Other loans increased by EUR 2.8 billion mainly as a result of increased commodity financing activities.

Details on loan impairments are provided in the Risk management section. See note 14 for details on fair value from hedge accounting.

20 Fair value of financial instruments not carried at fair value

The classification of financial instruments is determined in accordance with the accounting policies set out in Note 17.

The following methods and significant assumptions have been applied to estimate the fair values for the disclosures of financial instruments carried at amortised cost:

- The fair value of variable rate financial instruments and financial instruments with a fixed rate maturing within six months of the reporting date are assumed to approximate their carrying amounts. The fair value estimate of these financial instruments does not reflect changes in credit quality, as the main impact of credit risk is already recognised separately through the deduction of the allowances for credit losses from the carrying amount. Neither does the fair value of these financial instruments reflect changes in liquidity spreads or bid-ask adjustments. The fair value of fixed-rate loans and mortgages carried at amortised cost is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. The prepayment options are not included in the fair value;
- The fair value of demand deposits and savings accounts (both included under Due to customers) with no specific maturity is assumed to be the amount payable on demand at the reporting date;
- The fair value of the other loans to customers and loans to banks is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. The carrying amount equals the fair value;
- The fair value of issued debt securities and subordinated liabilities is based on quoted prices. If these are not available, the fair value is based on independent quotes from market participants for the debt issuance spreads above average interbank offered rates (at a range of tenors) which the market would demand when purchasing new senior or sub-debt issuances from ABN AMRO. Where necessary, these quotes are interpolated using a curve shape derived from CDS prices.

The following table presents, on the one hand, the valuation methods used in determining the fair value of financial instruments carried at amortised cost and, on the other hand, the carrying amount of financial assets and liabilities recorded at amortised cost to their estimated fair value, based on the abovementioned assumptions.

						31 December 2014
	Carrying value				Total fair value	Difference
(in millions)		Quoted market prices in active markets	Valuation techniques -observable inputs	Valuation techniques -significant unobservable inputs		
Assets						
Cash and balances at central banks	706		706		706	
Securities financing	18,511		18,511		18,511	
Loans and receivables - banks	21,680			21,680	21,680	
Loans and receivables - customers	261,910		2,346	266,819	269,164	7,254
Total	**302,807**		**21,563**	**288,499**	**310,062**	**7,254**
Liabilities						
Securities financing	13,918		13,918		13,918	
Due to banks	15,744			15,744	15,744	
Due to customers	216,011			216,011	216,011	
Issued debt	75,150	18,632	57,961		76,593	-1,443
Subordinated liabilities	8,328	6,588	2,232		8,820	-493
Total	**329,150**	**25,220**	**74,111**	**231,754**	**331,085**	**-1,935**

						31 December 2013
	Carrying value				Total fair value	Difference
(in millions)		Quoted market prices in active markets	Valuation techniques -observable inputs	Valuation techniques -significant unobservable inputs		
Assets						
Cash and balances at central banks	9,523		9,523		9,523	
Securities financing	18,362		18,362		18,362	
Loans and receivables - banks	23,967			23,967	23,967	
Loans and receivables - customers	257,028			260,931	260,931	3,903
Total	**308,880**		**27,885**	**284,898**	**312,783**	**3,903**
Liabilities						
Securities financing	12,266		12,266		12,266	
Due to banks	11,626			11,626	11,626	
Due to customers	207,584			207,584	207,584	
Issued debt	86,611	38,475	48,811		87,286	-675
Subordinated liabilities	7,917	6,023	2,418		8,441	-524
Total	**326,004**	**44,498**	**63,495**	**219,210**	**327,203**	**-1,199**

						31 December 2012
	Carrying value				Total fair value	Difference
(in millions)		Quoted market prices in active markets	Valuation techniques -observable inputs	Valuation techniques -significant unobservable inputs		
Assets						
Cash and balances at central banks	9,796		9,796		9,796	
Securities financing	28,793		28,793		28,793	
Loans and receivables - banks	32,183			32,183	32,183	
Loans and receivables - customers	262,452			264,755	264,755	2,303
Total	**333,224**		**38,589**	**296,938**	**335,527**	**2,303**
Liabilities						
Securities financing	19,521		19,521		19,521	
Due to banks	16,935			16,935	16,935	
Due to customers	201,605			201,605	201,605	
Issued debt	92,727	39,473	53,675		93,148	-421
Subordinated liabilities	9,736	5,925	3,611		9,536	200
Total	**340,524**	**45,398**	**76,807**	**218,540**	**340,745**	**-221**

21 Group structure

Accounting policy for business combinations

ABN AMRO accounts for business combinations using the acquisition method when control is transferred to ABN AMRO. All items of consideration, including contingent consideration, transferred by ABN AMRO are measured and recognised at fair value as of the acquisition date. Transaction costs incurred by ABN AMRO in connection with the business combination, other than those associated with the issuance of debt and equity securities, do not form part of the cost of the business combination transaction but are expensed as incurred. The excess of the purchase consideration over ABN AMRO's share of the fair value of the identifiable net assets acquired (including certain contingent liabilities) is recorded as goodwill. ABN AMRO measures the identifiable assets acquired and the liabilities assumed at the fair value at the date of acquisition.

In a step acquisition, where a business combination occurs in stages and control of the business is obtained in stages, the identifiable assets and liabilities of the acquiree are recognised at fair value when control is obtained. A gain or loss is recognised in profit or loss for the difference between the fair value of the previously held equity interest in the acquiree and its carrying amount. Changes in interests in subsidiaries that do not result in a change of control are treated as transactions between equity holders and are reported in equity.

Assets and liabilities of acquisitions and divestments

The following table provides details on the assets and liabilities resulting from the acquisitions or disposals of subsidiaries and equity-accounted investments at the date of acquisition or disposal.

(in millions)	31 December 2014 Acquisitions	31 December 2014 Divestments	31 December 2013 Acquisitions	31 December 2013 Divestments	31 December 2012 Acquisitions	31 December 2012 Divestments
Assets and liabilities of acquisitions and divestments						
Cash and balances at central banks		-26		-4		
Financial investments						
Securities financing			11	-22		
Loans and receivables - banks		-22	2	-269		-11
Loans and receivables - customers	554					
Equity accounted investments	105	-58	85	-41	73	-40
Goodwill and other intangible assets			1			-1
Other assets			24	-3		-5
Due to banks		24		180		1
Due to customers	-900	12	-7	92		3
Tax liabilities						1
Other liabilities		1	-18	4		8
Non-controlling interests			-1	5		
Net assets acquired/Net assets divested	**-241**	**-70**	**97**	**-58**	**73**	**-44**
Result on divestments, gross		60		28		34
Cash used for acquisitions/received from divestments:						
Total purchase consideration/Proceeds from sale	241	130	-97	86	-73	78
Cash and cash equivalents acquired/divested		-48	2	-273		-11
Cash used for acquisitions/received from divestments	**241**	**82**	**-95**	**-187**	**-73**	**67**

Acquisitions and divestments include increases and decreases in the investments in several equity-accounted investments for 2014, 2013 and 2012.

Acquisitions in 2014

On 27 March 2014 ABN AMRO obtained the beneficial title to certain assets and liabilities in RFS Holdings B.V.

On 31 Augustus 2014 (the acquisition date), ABN AMRO completed the acquisition of the domestic private banking activities from Credit Suisse AG in Germany. The asset and liabilities purchase agreement between Bethmann Bank AG and Credit Suisse AG was signed in December 2013. With the acquisition of the assets and liabilities from Credit Suisse AG, ABN AMRO has further strengthened its private banking activities in Europe and positions Bethmann Bank, ABN AMRO's private bank in Germany, as the third largest private bank in Germany. Following this transaction Bethmann Bank will serve about 20,000 clients with approximately EUR 34 billion in Assets under Management.

The asset purchase consists of EUR 550 million of client receivables (loan book) and EUR 900 million of client liabilities (deposit and saving accounts). These assets and liabilities were settled in cash with Credit Suisse AG. Furthermore, ABN AMRO paid a preliminary purchase premium of EUR 92 million consisting of intangible assets and goodwill. The intangible assets with a fair value of EUR 57 million represent client relationships with a total asset base amounting to EUR 8.7 billion. The purchase premium is expected to be finalised in the course of 2015. As of the reporting date, the acquisition accounting has not been completed yet. The opening balance is still subject to finalisation. As of 31 December 2014, the preliminary amount of goodwill originating from the transaction amounted to EUR 35 million and is based on the synergies expected from integrating the private banking activities of Credit Suisse in Germany with those of Bethmann Bank.

Following the acquisition on 31 August 2014, the private banking activities purchased from Credit Suisse AG contributed insignificantly to ABN AMRO's income statement for 2014; therefore, the contributions of the purchased activities to the net income of ABN AMRO are not reported separately.

Divestments in 2014

The sale of Alcover A.G. to Royal Bank of Scotland N.V. was completed on 1 July 2014.

Divestments in 2014 consist of the decrease of ownership in Holland Clearing House B.V. from 100% to 25%. This divestment was completed on 3 December 2014. The remaining 25% interest in Holland Clearing House B.V. is accounted for as an associate.

Acquisitions in 2013

ABN AMRO completed the acquisition of Banco CR2 S.A. in Brasil on 31 July 2013.

Divestments in 2013

Divestments in 2013 consist of the decrease of ownership of European Multilateral Clearing Facility from 78% to 25% due to equal ownership of Depository Trust & Clearing Corporation, BATS Chi-X, Nasdaq OMX and ABN AMRO Clearing Bank in European Multilateral Clearing Facility. This divestment was completed on 5 December 2013.

Divestments in 2012

Divestments in 2012 consist of the sale of Solveon, which was completed on 1 December 2012.

The sale of the commercial insurance broker activities for corporate clients to Aon was completed on 2 July 2012. The insurance operations for small and medium-sized businesses were transferred to ABN AMRO Verzekeringen. ABN AMRO Verzekeringen is a joint venture between ABN AMRO Bank N.V. and Delta Lloyd Group, the latter holding 51% of the shares and ABN AMRO Bank N.V. having a 49% stake.

Composition of the group

Accounting policy for subsidiaries

ABN AMRO Bank's subsidiaries are those entities which it directly or indirectly controls. Control over an entity is evidenced by ABN AMRO's ability to exercise its power in order to affect the variable returns that ABN AMRO is exposed to through its involvement with the entity. The existence and effect of potential voting rights that are currently exercisable are taken into account when assessing whether control exists.

The assessment of control is based on the consideration of all facts and circumstances. ABN AMRO reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control (power, exposure to variability in returns and a link between the two).

ABN AMRO sponsors entities, including certain special purpose entities, which may or may not be directly owned, for the purpose of asset securitisation transactions and other specific and well defined objectives. Particularly in the case of securitisations, these entities may acquire assets from ABN AMRO companies. Some of these entities hold assets that are not available to meet the claims of creditors of ABN AMRO or its subsidiaries. These entities are consolidated in ABN AMRO's financial statements when the substance of the relationship between ABN AMRO and the entity indicates that control is held by ABN AMRO.

ABN AMRO is mainly involved in securitisations of own originated assets such as various consumer and commercial financial assets. This process generally necessitates a sale of these assets to a special purpose entity (SPE), which in turn issues securities to investors. ABN AMRO's interests in securitised assets may be retained in the form of senior or subordinated tranches, issued guarantees, interest-only strips or other residual interests, together referred to as retained interest. In many cases, these retained interests convey control such that the SPE is consolidated and the securitised assets continue to be recognised in the Consolidated Statement of Financial Position.

The financial statements of subsidiaries and special purpose entities are included in the Consolidated Annual Financial Statements from the date on which control commences until the date on which control ceases.

Accounting policy for associates and joint ventures

Associates are those entities in which ABN AMRO has significant influence, but no control or joint control, over the operating and financial policies. Significant influence is generally presumed when ABN AMRO holds between 20% and 50% of the voting rights. Potential voting rights that are currently exercisable are considered in assessing whether ABN AMRO has significant influence. Among other factors that are considered to determine significant influence, representation on the board of directors, participation in the policy-making process and material transactions between the entity and the investee are considered.

A joint venture is an investment in which two or more parties have contractually agreed to share the control over the investment. Joint control only exists when decisions about the relevant activities require the unanimous consent of the parties sharing control. The activities conducted through joint ventures include cash transfer, insurance, finance and leasing.

Investments in associates and joint ventures, including ABN AMRO's strategic investments, are accounted for using the equity method. Under this method the investment is initially recorded at cost and subsequently increased (or decreased) for post-acquisition net income (or loss), other movements impacting the equity of the investee and any adjustments required for impairment. ABN AMRO's share of the profit or loss of the investee is recognised in Other income in the income statement. When ABN AMRO's share of losses exceeds the carrying amount of the investment, the carrying amount is reduced to zero, including any other unsecured receivables, and recognition of further losses is discontinued except if ABN AMRO has incurred obligations or made payments on behalf of the investee.

Equity investments held without significant influence which are not held for trading or not designated at fair value through profit or loss are classified as Available-for-sale.

The following table provides an overview of the most significant investments in associates and joint ventures at 31 December.

	31 December 2014				31 December 2013		31 December 2012	
(in millions)	Principle place of business	Business line	Carrying amount	Equity interest (in %)	Carrying amount	Equity interest (in %)	Carrying amount	Equity interest (in %)
Joint ventures:								
Neuflize Vie	France	Private Banking	212	60%	206	60%	200	60%
Car Carriers Management B.V.	The Netherlands	Corporate Banking	27	50%	37	50%	45	50%
Richmond Preferente Aandelen C. B.V.	The Netherlands	Corporate Banking	25	50%	25	50%		
Aline Holding S.A.	Marshall Islands	Corporate Banking	35	50%	20	50%	17	50%
CM Bulk Ltd.	Bahamas	Corporate Banking	15	50%	14	50%	14	50%
Associates:								
Delta Lloyd ABN AMRO Verzekeringen Holding B.V.	The Netherlands	Retail Banking	235	49%	252	49%	248	49%
RFS Holdings B.V.	The Netherlands	Group Functions	77	0%				
Alma Maritime Ltd.	Marshall Islands	Corporate Banking	71	39%	74	39%	81	38%
Equens S.E.	The Netherlands	Group Functions	63	18%	62	18%	57	18%
Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V.	The Netherlands	Group Functions	48	20%	45	20%	43	20%
Safe Ship Inv. Comp. S.C.A. SICAR	Luxembourg	Corporate Banking	24	48%	24	48%	29	49%
Poseidon Containers LLC	Marshall Islands	Corporate Banking	24	6%	21	6%		
Edda Accomodations DIS	Norway	Corporate Banking	29	20%	15	20%	12	20%
European Merchant Services B.V.	The Netherlands	Retail Banking	17	49%	15	49%	14	49%
Alcover A.G.	Switzerland	Group Functions			52	34%	50	34%
PJW 3000 LLC							26	33%
Private Equity Investments			116		128		102	
Other			118		92		73	
Total equity accounted investments			**1,136**		**1,082**		**1,011**	

Neuflize Vie is a joint venture whereby the power to govern the financial and operating policies of the economic activity is subject to joint control.

Although ABN AMRO has no legal ownership, the contribution in RFS Holdings B.V. is identified as an associate resulting from the beneficial title to certain assets and liabilities in RFS Holdings B.V. obtained as per 27 March 2014. ABN AMRO is involved (e.g. via consultation) in certain decisions – as contractually agreed – related to these assets and liabilities.

Although ABN AMRO has an 18% interest in Equens S.E., ABN AMRO has significant influence in Equens S.E. because of representation in the Supervisory Board. ABN AMRO therefore accounts for Equens S.E. as an associate.

Although ABN AMRO has a 6% interest in Poseidon Containers LLC, ABN AMRO has significant influence in Poseidon Containers LLC because of representation in the Board of Directors. ABN AMRO therefore accounts for Poseidon Containers LLC as an associate.

Other investments in associates and joint ventures represents a large number of associates and joint ventures with an individual carrying amount of less than EUR 15 million.

The combined financial information of the associates and joint ventures include the following assets and liabilities, income and expenses, and represent the proportionate share:

	31 December 2014			31 December 2013			31 December 2012		
(in millions)	Associates	Joint ventures	Total	Associates	Joint ventures	Total	Associates	Joint ventures	Total
Assets									
Financial assets held for trading	2,722		2,722	2,916		2,916	2,989		2,989
Financial investments	301	6,609	6,910	2,603	6,321	8,924	4,579	5,464	10,043
Loans and receivables-banks and customers	1,853	172	2,025	932	166	1,098	1,072	158	1,230
Property and equipment	557	242	799	527	200	727	394	104	498
Other assets	584	89	673	528	98	626	373	59	432
Total assets	**6,017**	**7,112**	**13,129**	**7,506**	**6,785**	**14,291**	**9,407**	**5,785**	**15,192**
Liabilities									
Financial liabilities held for trading		33	33	24	24	48	30		30
Due to banks and customers	1,764	114	1,878	3,423	206	3,629	5,642	53	5,695
Provisions	2,637	3,578	6,215	2,652	3,407	6,059	2,702	3,062	5,764
Other Liabilities	469	3,069	3,538	596	2,864	3,460	303	2,389	2,692
Total liabilities	**4,870**	**6,794**	**11,664**	**6,695**	**6,501**	**13,196**	**8,677**	**5,504**	**14,181**
Total operating income	774	56	830	452	43	495	737	40	777
Operating expenses	677	38	715	395	28	423	649	23	672
Operating profit/(loss)	**97**	**18**	**115**	**57**	**15**	**72**	**88**	**17**	**105**
Income tax expense	31	11	42	10	9	19	15	7	22
Profit/(loss) for the period	**66**	**7**	**73**	**47**	**6**	**53**	**73**	**10**	**83**

The majority of all assets of associates is held by Delta Lloyd ABN AMRO Verzekeringen Holding B.V. (EUR 2,949 million) and by 'Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V. (EUR 1,213 million). Neuflize Vie holds the majority of assets under joint ventures (EUR 6,920 million).

The carrying amount of Simba Finance B.V. (Simba) and Pumbaa Finance B.V. (Pumbaa) was reduced to zero in 2014. Total assets and liabilities of these enitities are therefore no longer disclosed, resulting in a decrease in Financial investments and Due to banks and customers under associates.

Loans and receivables - banks and customers under Associates increased mainly due to the investment in RFS Holdings B.V.

Total income and expenses under Associates increased, mainly in one major entity.

Impairments on equity accounted investments

The following table shows the changes in impairments on equity-accounted investments.

(in millions)	2014	2013	2012
Balance as at 1 January		11	12
Increase in impairments	24	7	8
Release of impairments	-1		
Reversal of impairment allowances		-11	
Other	-6	-7	-9
Balance as at 31 December	**16**		**11**

The majority of ABN AMRO's equity-accounted investments are regulated entities. Their ability to transfer funds to ABN AMRO is therefore subject to regulatory approval.

The increase in impairments was mainly due to a lower carrying value than the fair value for a few ships that are the primary assets of some of ABN AMRO's associates.

The line Other represents the provision related to the increase of impairments, to avoid a negative value of the respective participations.

Structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

A structured entity has some or all of the following features or attributes:

- restricted activities;
- a narrow and well defined objective;
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support;
- financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks;
- relevant activities are directed by contractual arrangements.

ABN AMRO is mainly involved in one type of structured entities: securitisations. ABN AMRO uses securitisation transactions primarily to diversify its funding sources and to manage its liquidity profile. ABN AMRO is mainly involved in securitisation transactions of its own originated assets. Financial assets included in these transactions are residential mortgages and loans to small and medium-sized enterprises (SME). All securitised assets are originated in the Netherlands by ABN AMRO (or one of its predecessors).

Consolidated structured entities

The total amount of assets securitised in true sale securitisations decreased to EUR 66.5 billion at 31 December 2014 (31 December 2013: EUR 71.4 billion; 31 December 2012: EUR 70.0 billion).

The amount of notes sold to external parties totalled EUR 9.0 billion at 31 December 2014, compared with EUR 12.3 billion at year-end 2013 (year-end 2012: EUR 16.1 billion). The difference was primarily caused by the calling of several residential mortgage backed securities (RMBS) notes.

Furthermore, ABN AMRO issued a EUR 0.5 billion public securitisation out of a Dolphin Master Issuer structure.

The securitisation transactions are primarily used for funding and liquidity. The total REA relief is limited to EUR 0.2 billion at year-end 2014 (year-end 2013: EUR 0.3 billion; year-end 2012: EUR 0.3 billion).

The bank had only true sale (traditional) securitisation transactions outstanding in 2014. In a true sale securitisation transaction a foundation *(stichting)* incorporates a structured entity resulting in a bankruptcy remote structure. ABN AMRO sells a portfolio of receivables to the structured entity. The structured entity funds the purchase by issuing notes. In all securitisation transactions, ABN AMRO provides key ancillary roles such as swap counterparty.

Risks associated with the roles in the securitisation process

Credit risk

Credit risk relates to the risk of credit losses on securitised assets. ABN AMRO retains part of the credit risk by retaining notes and other securitisation positions such as liquidity facilities, swaps and first loss tranches. Regulatory capital is held for all retained securitisation positions in accordance with the applicable regulation.

Liquidity risk

Liquidity risk relates to the risk that ABN AMRO might incur additional cash outflows. Any potential future cash outflows relating to these positions, including collateral requirements, are taken into account within stress tests and are integrated into the liquidity ratios where required. This includes the potential impact of the liquidity facilities or swap agreements which are part of a number of securitisation transactions, most of which relate to transactions for which ABN AMRO is the originator of the underlying assets.

Approaches to calculating risk exposure amount

ABN AMRO does not achieve significant risk transfers for any of the mortgage securitisations. Therefore, the look-through approach is used and REA reduction is not applied.

Regarding the securitisation transaction with SME loans, ABN AMRO achieves significant risk transfer. For this transaction, the credit risk related to the securitised loans is transferred to the note holders and REAs for the related loans are set to zero. ABN AMRO can retain, however, certain securitisation positions such as notes, swaps and first loss tranches. The Internal Ratings-Based (IRB) approach of the CRD securitisation framework is used for calculating the capital requirements on these retained positions. Positions for which external ratings are available or for which ratings can be inferred are reported via the Ratings-Based Approach (RBA). Eligible external ratings on securitisation positions from Standard & Poor's, Moody's and Fitch Ratings are applied for the RBA.

Monitoring process

ABN AMRO periodically monitors changes in credit risk relating to securitisation exposures. The significance of the amount of credit risk transferred to third parties by securitisation of own originated assets is assessed on a monthly basis in accordance with the regulatory significant risk transfer test. For investments in third-party securitisations, the risk is monitored by reviewing the investor reports of these transactions. Additionally, third-party securitisation positions are included in the firm-wide comprehensive stress tests in which downgrade and default risk under stressed market conditions is assessed.

Overview of securitisation positions and securitised assets

The total amount of assets securitised in true sale securitisations decreased to EUR 66.5 billion (2013: EUR 71.4 billion; 2012: EUR 70.0 billion). Securitisation transactions for the purpose of capital relief were not originated in 2014.

Securitisation overview of own originated assets (overall pool size)

	31 December 2014			31 December 2013			31 December 2012		
	True sale securitisations		Total	True sale securitisations		Total	True sale securitisations		Total
(in millions)	Mortgage loans	SME loans		Mortgage loans	SME loans		Mortgage loans	SME loans	
Total assets securitised reported under the CRD framework		1,033	1,033		1,206	1,206		1,465	1,465
Total assets securitised not reported under the CRD framework	65,467		65,467	70,203		70,203	68,579		68,579
Total assets securitised	**65,467**	**1,033**	**66,499**	**70,203**	**1,206**	**71,409**	**68,579**	**1,465**	**70,044**

Details on retained and purchased securitisation positions

The tables in the following sections contain data of securitisation positions in which ABN AMRO acts as originator and/or investor. This table shows securitisations that are reported in accordance with the CRD framework; therefore, securitisations with own originated mortgages are not included. Amounts reported are based on the regulatory exposure values calculated in accordance with the regulatory guidelines. Note that this not only includes the notes issued under the securitisation, but also the credit equivalent of interest rate swaps and first loss positions.
The following table outlines the total amount of ABN AMRO's exposure value on securitisation positions in which ABN AMRO acts as originator and/or investor. The total securitisation position decreased slightly to EUR 2.4 billion at 31 December 2014 (31 December 2013: EUR 2.5 billion; 2012: EUR 2.8 billion).

Overview of retained, transferred and purchased securitisation positions

	31 December 2014			31 December 2013			31 December 2012		
	True sale securitisations		Total	True sale securitisations		Total	True sale securitisations		Total
(in millions, Exposure at Default)	Mortgage loans	SME loans		Mortgage loans	SME loans		Mortgage loans	SME loans	
Securitisation position in own originated transactions		1,150	1,150		1,369	1,369		1,595	1,595
Securitisation positions transferred		-171	-171		-171	-171		-181	-181
Retained securitisation positions		**979**	**979**		**1,198**	**1,198**		**1,414**	**1,414**
Securitisation position in purchased securitisations	1,456		1,456	1,313		1,313	1,397		1,397
Total securitisation positions	**1,456**	**979**	**2,434**	**1,313**	**1,198**	**2,511**	**1,397**	**1,414**	**2,811**

Of the EUR 2.4 billion retained and purchased securitisation positions as per 31 December 2014, EUR 1.5 billion is risk-weighted at 7% and EUR 0.9 billion is risk-weighted at 20%. Of the EUR 2.5 billion retained and purchased securitisation positions as per 31 December 2013, EUR 1.4 billion is risk-weighted at 7% and EUR 1.1 billion is risk-weighted at 20%. Of the EUR 2.8 billion retained and purchased securitisation positions as per 31 December 2012, EUR 2.8 billion is risk-weighted at 7%.

Details on securitised asset portfolios

The amount of assets securitised and sold partly externally totalled EUR 1 billion at 31 December 2014 (2013: EUR 1.2 billion; 2012: EUR 1.5 billion), of which EUR 85 million is impaired (2013: EUR 104 million; 2012: EUR 104 million).

Details on total notes outstanding per structured entity

The following table provides details on the outstanding notes issued by consolidated structured entities which were established by ABN AMRO for securitisation purposes, exceeding 0.1% of the bank's total assets.

	31 December 2014		31 December 2013		31 December 2012	
(in millions)	Total notes issued	% of total assets	Total notes issued	% of total assets	Total notes issued	% of total assets
Category						
Dolphin Master Issuer B.V.	30,472	7.88%	30,472	8.19%	30,412	7.72%
Oceanarium Master Issuer B.V.	12,146	3.14%	12,146	3.26%	14,631	3.72%
Fishbowl Master Issuer B.V.	7,139	1.85%	8,839	2.38%	9,840	2.50%
Goldfish Master Issuer B.V.	13,900	3.59%	15,000	4.03%	9,522	2.42%
Beluga Master Issuer B.V.	3,136	0.81%	3,136	0.84%	3,243	0.82%
European Mortgage Securities VIII B.V.			1,782	0.48%	1,967	0.50%
SMILE Securitisation Company 2007 B.V.1	1,065	0.28%	1,270	0.34%	1,488	0.38%
Total	**67,857**		**72,645**		**71,103**	

At present, there are no material, consolidated structured entities – not related to securitisation activities – exceeding 0.1% of the bank's total assets.

Support to consolidated structured entities

ABN AMRO did not provide support, financial or otherwise, to a consolidated structured entity including when ABN AMRO was not contractually obligated to do so, nor has ABN AMRO the intention to do so in the future

Unconsolidated structured entities

ABN AMRO has invested EUR 1.5 billion in securitisations which were not set up by ABN AMRO (2013: EUR 1.3 billion; 2012: EUR 1.4 billion). These securitisations are part of the liquidity buffer. ABN AMRO does not consolidate the structured entities as the bank does not have control over these entities. As ABN AMRO has not engaged in any additional contractual obligations with these entities, the maximum exposure to these structured entities is the same as the invested amount.

To raise funding, ABN AMRO has interests in two structured entities: Simba Finance B.V. (Simba) and Pumbaa Finance B.V. (Pumbaa). Simba and Pumbaa are unconsolidated structured entities as ABN AMRO does not have the power to govern the variable returns of these entities. Although ABN AMRO is the main shareholder of these entities, it is not significantly exposed to the variability of these entities' returns as this is contractually diverted to third-party investors.

Sponsoring of unconsolidated structured entities.
An entity is considered a sponsor of an unconsolidated structured entity if it had a key role in establishing that entity so that the transaction, which is the purpose of the entity, could occur. No material sponsoring occurred in 2014.

22 Property and equipment, goodwill and other intangible assets

Accounting policy for property and equipment
In accordance with IAS 16, Property and equipment is stated at cost less accumulated depreciation and any amount for impairment. At each balance sheet date an assessment is performed to determine whether there is any indication of impairment. Subsequent costs are capitalised if these result in an enhancement to the asset. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property and equipment, and of major components that are accounted for separately. ABN AMRO generally uses the following useful lives in calculating depreciation:
- Land: not depreciated;
- Buildings: 30 years (2012: 50 years);
- Equipment: 5 years (2012: 10 years);
- Leasehold improvements: 10 years (2012: 25 years);
- Computer installations: 2 to 5 years (2012: 2 to 5 years).

Impairment losses are recognised in the income statement as a component of depreciation and amortisation expense. Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.

Depreciation rates and residual values are reviewed at least annually to take into account any change in circumstances. Capitalised leasehold improvements are depreciated in a manner that takes into account the term and renewal conditions of the related lease.

Assets for which the bank acts as a lessor in an operational lease contract are included in Property and equipment. The asset is depreciated on a straight-line basis over its useful life to its estimated residual value.

Accounting policy for intangible assets
Goodwill
Goodwill is determined in accordance with IFRS 3 Business Combinations and IAS 36 Impairments of Assets. Goodwill is capitalised and stated at cost, being the excess of the consideration paid over the fair value of ABN AMRO's share of the acquired entity's net identifiable assets at the date of acquisition, less any accumulated impairment losses. For the purpose of calculating goodwill, the fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. Goodwill is not amortised, but is reviewed annually for impairment or more frequently if there are indications that impairment may have occurred. In the test the carrying amount of goodwill is compared with the highest of the fair value less costs to sell and the value in use, being the present value of the cash flows discounted at a pre-tax discount rate that reflects the risk of the cash generating unit to which the goodwill relates. Impairment losses are recognised in the income statement as depreciation and amortisation expense and are irreversible.

Software and other intangible assets

The accounting policy for software and other intangible assets is determined by IAS 38 Intangible assets. Software is amortised over a period of three years unless the software is classified as core application software, which is depreciated over its estimated useful lifetime set at a maximum of seven years. Only the development phase is capitalised for own developed software. Other intangible assets include separately identifiable items arising from acquisition of subsidiaries, such as customer relationships, and certain purchased trademarks and similar items. In general, the estimated useful life does not exceed ten years. Amortisation rates and residual values are reviewed at least annually to take into account any change in circumstances.

The following table shows the carrying amount for each category of Property and equipment at 31 December.

(in millions)	31 December 2014	31 December 2013	31 December 2012
Land and buildings held for own use	820	852	895
Leasehold improvements	38	38	70
Equipment	522	505	523
Other	32	31	31
Total property and equipment	**1,412**	**1,426**	**1,519**

Total property and equipment decreased by EUR 14 million in 2014 (2013: EUR 93 million).

The following table shows the carrying amount for Goodwill and other intangible assets at 31 December.

(in millions)	31 December 2014	31 December 2013	31 December 2012
Goodwill	147	138	134
Purchased software	41	39	62
Internally developed software	5	8	14
Other	62	10	13
Total goodwill and other intangible assets	**255**	**195**	**223**

The book value of Property, equipment, intangible assets and goodwill changed as follows for the years 2014, 2013 and 2012:

								2014
(in millions)	Land and Buildings held for own use	Leasehold improve-ments	Equipment	Other property and equipment	Total	Goodwill	Other intangible assets	Total
Acquisition costs as at 1 January	**1,759**	**201**	**1,394**	**34**	**3,388**	**164**	**1,079**	**1,243**
Additions	43	10	205		258	35	85	120
Reversal of cost due to disposals	-52	-11	-151	-6	-219		-3	-3
Foreign exchange differences	3	2	7	2	14	6	2	9
Other	-12		-4	6	-10	-7	-1	-8
Acquisition costs as at 31 December	**1,742**	**203**	**1,451**	**36**	**3,432**	**198**	**1,162**	**1,360**
Accumulated depreciation/ amortisation as at 1 January	**-880**	**-163**	**-887**	**-3**	**-1,933**		**-1,003**	**-1,003**
Depreciation/amortisation	-52	-11	-148	-1	-212		-31	-31
Reversal of depreciation/amortisation due to disposals	31	11	108		150		3	3
Foreign exchange differences	-1	-1	-4		-6		-2	-2
Other	-9		4		-5		-1	-1
Accumulated depreciation as at 31 December	**-911**	**-165**	**-927**	**-4**	**-2,007**		**-1,034**	**-1,034**
Impairments as at 1 January	**-27**		**-2**		**-29**	**-26**	**-19**	**-45**
Increase of impairments charged to the income statement	-8				-8	-28	-2	-30
Reversal of impairments due to disposals	5				6			
Foreign exchange differences						-3		-3
Other	19				19	6		6
Impairments as at 31 December	**-11**		**-2**		**-13**	**-51**	**-21**	**-71**
Total as at 31 December	**820**	**38**	**522**	**32**	**1,412**	**147**	**108**	**255**

								2013
(in millions)	Land and Buildings held for own use	Leasehold improvements	Equipment	Other property and equipment	Total	Goodwill	Other intangible assets	Total
Acquisition costs as at 1 January	1,790	201	1,405	34	3,430	161	1,089	1,250
Acquisitions/divestments of subsidiaries			-1		-1	1	-1	
Additions	35	7	196		238	5	16	21
Reversal of cost due to disposals	-88	-8	-200		-296		-24	-24
Foreign exchange differences	-1	-1	-4		-6	-3	-1	-4
Other	23	2	-2		23			
Acquisition costs as at 31 December	**1,759**	**201**	**1,394**	**34**	**3,388**	**164**	**1,079**	**1,243**
Accumulated depreciation as at 1 January	-873	-131	-880	-3	-1,887		-981	-981
Acquisitions/divestments of subsidiaries			1		1		1	1
Depreciation	-50	-40	-166	-1	-257		-48	-48
Reversal of depreciation due to disposals	46	7	153		206		24	24
Foreign exchange differences		1	2		3		1	1
Other	-3		3	1	1			
Accumulated depreciation as at 31 December	**-880**	**-163**	**-887**	**-3**	**-1,933**		**-1,003**	**-1,003**
Impairments as at 1 January	-22		-2		-24	-27	-19	-46
Increase of impairments charged to the income statement	-9				-9			
Reversal of impairments due to disposals	5				5			
Foreign exchange differences						1		1
Other	-1				-1			
Impairments as at 31 December	**-27**		**-2**		**-29**	**-26**	**-19**	**-45**
Total as at 31 December	**852**	**38**	**505**	**31**	**1,426**	**138**	**57**	**195**

(in millions)	Land and Buildings held for own use	Leasehold improve-ments	Equipment	Other property and equipment	Total	Goodwill	Other intangible assets	Total
								2012
Acquisition costs as at 1 January	1,817	232	1,393	34	3,476	159	1,177	1,336
Acquisitions/divestments of subsidiaries							-2	-2
Additions	27	11	230		268		24	24
Reversal of cost due to disposals	-75	-21	-164		-260		-113	-113
Foreign exchange differences	1			1	2	2		2
Other	20	-21	-54	-1	-56		3	3
Acquisition costs as at 31 December	**1,790**	**201**	**1,405**	**34**	**3,430**	**161**	**1,089**	**1,250**
Accumulated depreciation as at 1 January	-833	-141	-851	-2	-1,827		-1,014	-1,014
Acquisitions/divestments of subsidiaries							1	1
Depreciation	-73	-18	-158	-1	-250		-79	-79
Reversal of depreciation due to disposals	50	16	116		182		112	112
Other	-17	12	13		8		-1	-1
Accumulated depreciation as at 31 December	**-873**	**-131**	**-880**	**-3**	**-1,887**		**-981**	**-981**
Impairments as at 1 January	-32	-5	-3		-40	-27	-19	-46
Increase of impairments charged to the income statement	-6		-1		-7			
Reversal of impairments credited to the income statement	1				1			
Reversal of impairments due to disposals	9	5	3		17			
Other	6		-1		5			
Impairments as at 31 December	**-22**		**-2**		**-24**	**-27**	**-19**	**-46**
Total as at 31 December	**895**	**70**	**523**	**31**	**1,519**	**134**	**89**	**223**

The fair value of Land and buildings held for own use is estimated at EUR 691 million at 31 December 2014 (2013: EUR 936 million; 2012: EUR 1,031 million). Of this fair value, 96% is based on external valuations performed in 2014 or 2013 and 4% is based on Dutch local government property tax valuations with a discount of 0% to reflect the current market situation. There are some properties that have a lower fair value than the recorded carrying value. No impairment is recorded because these properties are considered corporate assets. The value in use for the cash-generating units within ABN AMRO Bank is sufficient to cover the total value of all these assets.

Additions to property and equipment increased by EUR 20 million, mainly due to higher investments in Equipment. Higher additions to Goodwill and other intangible assets are mainly due to the acquisition of the German private banking portfolio from Credit Suisse A.G. by Bethmann Bank.

Lessor

In its capacity as lessor, ABN AMRO leases out various assets, included in Equipment, under operating leases. Future minimum lease receipts under non-cancellable operating lease are EUR 357 million (2013: EUR 277 million; 2012: EUR 276 million), of which EUR 295 million (2013: EUR 207 million; 2012: EUR 207 million) matures within five years.

Impairment of goodwill

Impairment testing on goodwill is performed at least annually by comparing the recoverable amount of the cash-generating units (CGU) to their carrying amount. The CGU is the smallest identifiable group of assets that:

- generate cash inflows from continuing use; and
- are largely independent of the cash inflows from other assets or groups of assets.

Identification of an asset's cash-generating unit involves judgement. If the recoverable amount cannot be determined for an individual asset, an entity identifies the lowest aggregation of assets that generate largely independent cash inflows. The recoverable amount is determined by the highest of the value in use or fair value less costs to sell. The type of the acquired entity determines the definition of the type of CGU.

The value in use of a CGU is assessed through a discounted cash flow model of the anticipated future cash flows of the CGU. The discounted cash flow model uses assumptions which depend on various financial and economic variables, including the risk-free rate in a given country and a premium to reflect the inherent risk of the entity being evaluated. The values assigned to each key assumption reflect past experience that was modified based on management's expectation for the future and are consistent with external sources of information.

Besides the discount rates stated in the following table, calculation of the value in use was also based on cash flows, projected based on past experience, actual operating results and the 5-year budget plan. Cash flows for a further 5-year period were extrapolated using the long-term growth rate stated for the CGU.

	31 December 2014						31 December 2013	31 December 2012
(in millions)	Segment	Method used for recoverable amount	Discount rate	Long term growth rate	Impairment charges	Goodwill	Goodwill	Goodwill
Entity								
Bethmann Bank	Private Banking	Value in use	10.4%	1.5%		99	64	64
ABN AMRO (Guernsey)	Private Banking	Fair value	10.4%		25	25	48	49
ABN AMRO Commercial Finance Holding	Corporate Banking	Value in use	10.4%	2.0%		10	10	10
Banque Neuflize	Private Banking	Value in use	10.4%	0.0%		6	6	6
Banco ABN AMRO S.A.	Corporate Banking	Value in use	10.4%	2.0%		4	4	
Other					3	2	6	5
Total goodwill and impairment charges					28	147	138	134

In 2014 Bethmann Bank acquired the German private banking portfolio from Credit Suisse A.G. As a result, the goodwill at Betmann Bank increased by EUR 35 million.

The recoverable amount for ABN AMRO (Guernsey) has been determined based on the fair value less cost to sell, as calculated in accordance with IFRS. This is a level 3 valuation where mainly unobservable inputs are used. The fair value is based on transactions of recent Private Banking M&A transactions in which on top of the settlement of the net asset value, a sales premium is paid for the client assets sold. The calculated sales premium is based on parameters used from recent Private Banking M&A acquisitions customised to local circumstances. As a result, an impairment charge on goodwill of EUR 25 million was recognised at ABN AMRO (Guernsey).

An impairment charge on goodwill of EUR 3 million was recognised at MeesPierson Multi Management Investments as this company is in liquidation.

(in millions)	2014	2013	2012
Depreciation on tangible assets			
Land and buildings held for own use	52	50	73
Leasehold improvements	11	40	18
Equipment	71	90	80
Other	1	1	1
Amortisation on intangible assets			
Purchased software	23	40	63
Internally developed software	3	5	12
Other intangible assets	5	3	4
Impairment losses on tangible assets			
Land and buildings held for own use (incl. held for sale)	8	13	14
Equipment			1
Impairment losses on intangible assets			
Goodwill	28		
Purchased software	2		
Total depreciation and amortisation	**204**	**242**	**266**

Total depreciation and amortisation decreased by EUR 38 million in 2014 (decrease of EUR 24 million in 2013).

Residual value and useful life of an asset are reviewed at least annually to take into account any change in circumstances. ABN AMRO revised the estimated useful life of buildings, equipment and leasehold improvements in 2013.

Depreciation on Land and buildings held for own use remained almost stable at EUR 52 million in 2014.

Depreciation on Leasehold improvements increased by EUR 22 million in 2013. This was mainly due to the shortening of the estimated useful life. Depreciation charges decreased to EUR 11 million in 2014.

Depreciation on Equipment decreased by EUR 19 million in 2014, compared with an increase in 2013. This was mainly due to the shortening of the estimated useful life.

Amortisation of purchased software decreased by EUR 17 million in 2014.

Impairment losses on Land and buildings held for own use include no impairment losses for 2014 (2013: EUR 4 million; 2012: EUR 8 million) for assets held for sale.

23 Other assets

Accounting policy for non-current assets held for sale

In accordance with IFRS 5, non-current assets and/or businesses are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction planned to occur within 12 months, rather than through continuing use. Held-for-sale assets are not depreciated and are measured at the lower of their carrying amount and fair value less costs to sell. Assets and liabilities of a business held for sale are presented separately.

The following table shows the components of Other assets at 31 December.

(in millions)	31 December 2014	31 December 2013	31 December 2012
Accrued other income	567	698	776
Prepaid expenses	21	24	23
Assets held for sale	25	29	55
Unit-linked investments	2,453	2,171	2,170
Reinsurers share, trade and other receivables	1,339	1,460	1,496
Other	582	746	1,574
Total other assets	**4,986**	**5,128**	**6,094**

As part of the integration, several bank premises and bank shops were put up for sale. The held-for-sale property is valued at the lower of fair value less cost to sell and the carrying value.

At 31 December 2014, the total held-for-sale amount was EUR 25 million (2013: EUR 29 million and 2012: EUR 55 million). A total impairment of EUR 0.3 million (2013: EUR 4 million and 2012: EUR 8 million) was charged to the income statement. The sale of held-for-sale offices resulted in a EUR 9 million gain in 2014 (2013: EUR 25 million and 2012: EUR 3 million).

The fair value of these premises was EUR 37 million at year-end 2014 (2013: EUR 47 million and 2012: EUR 103 million). This value is based on external valuations.

Unit-linked investments are investments on behalf of insurance contracts of policyholders who bear the investment risk. Minimum guaranteed rates are agreed for certain contracts.

Reinsurers share, trade and other receivables include the amount of the receivables purchased by ABN AMRO (the factor) from its clients under contracts of non-recourse factoring.

Other assets in 2014 include a net receivable of EUR 168 million mainly related to the bankruptcy of DSB Bank (2013: EUR 379 million; 2012: EUR 433 million).

24 Due to banks

Accounting policy for Due to banks and Due to customers

According to IAS 39 Financial Instruments, amounts due to banks and customers are held at amortised cost. That is, fair value at initial recognition adjusted for repayment and amortisation of coupon, fees and expenses to represent the effective interest rate of the asset or liability.

This item is comprised of amounts due to banking institutions, including central banks and multilateral development banks.

(in millions)	31 December 2014	31 December 2013	31 December 2012
Deposits from banks:			
Demand deposits	3,024	2,769	2,762
Time deposits	3,399	5,013	9,449
Other deposits	9,276	3,795	4,673
Total deposits	**15,699**	**11,577**	**16,884**
Other due to banks	45	49	51
Total due to banks	**15,744**	**11,626**	**16,935**

Due to banks increased by EUR 4.1 billion, mainly related to Targeted Long Term Refinancing Operations (TLTRO) reported as Other deposits.

Time deposits decreased by EUR 1.6 billion as a consequence of the low interest rate and matured contracts in Group Functions (decrease EUR 1.2 billion) and Private Banking International (decrease EUR 0.4 billion).

Other deposits increased by EUR 5.5 billion mainly as a consequence of new TLTRO deposits (EUR 4.2 billion). The remaining EUR 1.3 billion is due to collateral management for derivatives for which ABN AMRO received collateral from counterparties.

25 Due to customers

The accounting policy for Due to customers in included in note 24.

This item is comprised of amounts due to non-banking customers.

(in millions)	31 December 2014	31 December 2013	31 December 2012
Demand deposits	109,753	100,151	93,682
Saving deposits	88,655	87,448	81,384
Time deposits	17,459	19,638	26,196
Total deposits	**215,867**	**207,237**	**201,262**
Other due to customers	144	347	343
Total due to customers	**216,011**	**207,584**	**201,605**

Due to customers increased by EUR 8.5 billion mainly as a result of a rise in demand deposits by EUR 9.6 billion.

Demand deposits grew mainly due an increase in the current accounts of private enterprises and private individuals.

Saving deposits were EUR 1.2 billion higher mainly as a result of an increase in MoneYou (EUR 0.9 billion).

Time deposits were EUR 2.2 billion lower due to lower volumes and matured contracts for insurance, pension funds and other financial institutions. The low interest rate has a negative impact on the volume of time deposits and caused a shift towards demand deposits.

26 Issued debt and subordinated liabilities

Accounting policy for issued debt and subordinated liabilities

Issued debt securities and subordinated liabilities are recorded at amortised cost using the effective interest rate method, unless they are of a hybrid or structured nature and irrevocably designated at initial recognition to be held at fair value through profit or loss. The latter is applied when the instruments are held to reduce an accounting mismatch, are managed on the basis of its fair value or include terms that have substantive derivative characteristics in nature.

ABN AMRO applies IAS 32 Financial Instruments: Presentation to determine whether funding is either a financial liability or equity. Issued financial instruments or their components are classified as financial liabilities where the substance of the contractual arrangement results in ABN AMRO having a present obligation to deliver either cash or another financial asset or to satisfy the obligation other than by the exchange of a fixed number of equity shares. Preference shares that carry a non-discretionary coupon or are redeemable on a specific date or at the option of the holder are classified as liabilities. The dividends and fees on preference shares classified as a liability are recognised as interest expense.

Issued liabilities qualify as subordinated debt if claims by the holders are subordinated to all other current and future liabilities of ABN AMRO and its subsidiaries.

The measurement of liabilities held at fair value includes the effect of changes in own credit spreads. The change in fair value applies to those financial liabilities designated at fair value where ABN AMRO's own credit risk would be considered by market participants. Exchange-traded own debt at fair value through profit or loss is valued against market prices.

The fair value changes are calculated based on a yield curve generated from observed external pricing for funding and quoted CDS spreads.

The following table shows the types of debt certificates issued by ABN AMRO and the amounts outstanding at 31 December.

(in millions)	31 December 2014	31 December 2013	31 December 2012
Bonds and notes issued	66,349	70,649	70,960
Certificates of deposit and commercial paper	8,729	15,610	21,063
Saving certificates	72	352	704
Total at amortised cost	**75,150**	**86,611**	**92,727**
Designated at fair value through profit or loss	1,981	2,071	2,321
Total issued debt	**77,131**	**88,682**	**95,048**
- of which matures within one year	20,347	30,719	35,481

Total issued debt decreased by EUR 11.6 billion mainly due to the redemption of Certificates of deposits and commercial paper exceeding newly issued notes (EUR 6.9 billion). This portfolio has been reduced for liquidity management purposes.

The amounts of issued debt issued and redeemed during the period are shown in the Consolidated statement of cash flows.

Further details of the funding programmes are provided in the Risk & Capital Report.

Financial liabilities designated at fair value through profit or loss

(in millions)	31 December 2014	31 December 2013	31 December 2012
Cumulative change in fair value of the structured notes attributable to changes in credit risk	13	-3	-10
Change during the year in fair value of the structured notes attributable to changes in credit risk	16	7	29

For all financial liabilities designated at fair value through profit or loss, the amount that ABN AMRO would contractually be required to pay at maturity was EUR 1,891 million (2013: EUR 2,211 million; 2012: EUR 2,415 million). This is EUR 90 million (2013: EUR 140 million; 2012: EUR 94 million) less than the carrying amount at 31 December 2014

The following table specifies the issued and outstanding subordinated liabilities at 31 December.

(in millions)	31 December 2014	31 December 2013	31 December 2012
Perpetual loans	1,285	1,303	1,215
Other subordinated liabilities	7,043	6,614	8,521
Total subordinated liabilities	**8,328**	**7,917**	**9,736**

Subordinated liabilities increased by EUR 411 million, mainly as a result of the positive effect of the FX valuation (EUR 277 million) and of hedge gains (EUR 189 million). The increase was partly offset by matured debt (EUR 51 million).

Total subordinated liabilities include EUR 1,077 million (2013: EUR 1,103 million) which qualifies as Tier 1 capital for capital adequacy purposes with the Dutch central bank (DNB), when taking into account remaining maturities. The Capital management section provides more information on the impact of Basel III on the capital position of ABN AMRO.

Other subordinated liabilities

Other subordinated liabilities comprise a loan held by the Dutch State. This loan (EUR 1,650 million) has an interest rate of 1.019% and matures in 2017. This subordinated loan is also part of the related parties mentioned in note 33.

27 Provisions

Accounting policy for provisions

A provision is recognised in the balance sheet when ABN AMRO has a legal or constructive obligation as a result of a past event, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect of time value is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when an obligation exists. An obligation exists when ABN AMRO has approved a detailed plan and has raised a valid expectation in those affected by the plan by starting to implement the plan or by announcing its main features. Future operating costs are not provided for. Provisions for insurance risks are determined by actuarial methods, which include the use of statistics, interest rate data and settlement costs expectations.

Provisions are established for certain guarantee contracts for which ABN AMRO is responsible to pay upon default of payment.

The following table shows the breakdown of provisions at 31 December.

(in millions)	31 December 2014	31 December 2013	31 December 2012
Insurance fund liabilities	183	380	401
Provision for pension commitments	91	418	560
Restructuring	233	262	360
Other staff provision	182	174	182
Other	314	316	412
Total provisions	**1,003**	**1,550**	**1,915**

Insurance fund liabilities include the insurance companies' actuarial reserves, premium and claims reserves. The expected cash outflow for 2015 is approximately EUR 82 million and approximately EUR 67 million for the 2016-2019 period.

Provision for pension commitments includes early retirement benefits payable to non-active employees. More details on Provision for pension commitments are provided in note 28.

Restructuring provisions cover the costs of restructuring plans for which implementation has been formally announced. Restructuring provisions are related to the integration and to further streamlining of the organisation and infrastructure. Restructuring provisions include allowances for staff and other operating expenses. The pre-2014 restructuring programme is almost completed. The remaining balance relates to ongoing costs that are still payable based on the ABN AMRO Social Plan. In 2014 ABN AMRO announced a new restructuring plan for Retail Banking which is scheduled to be completed by the end of 2019. The financial settlement may take up to five years after completion.

Other staff provisions relate in particular to disability and other post-employee benefits.

Other provisions include provisions for tax litigation and legal litigation. The tax litigation and legal litigation provisions are based on best estimates available at year-end and taking into account the opinion of legal and tax specialists. The timing of the outflow of cash related to these provisions is by nature uncertain given the unpredictability of the outcome and the time involved in concluding litigations.

Other provisions include credit commitments. Provisions for credit commitments are provisions covering credit risk on credit commitments recorded in off-balance sheet items that have been identified individually or on a portfolio basis as impaired. The amount of the impairment is the present value of the cash flows which ABN AMRO expects to be required to settle its commitment.

Changes in provisions during the year are as follows:

(in millions)	Restructuring	Other staff provisions	Other	Total
At 1 January 2012	467	191	988	1,646
Increase of provisions	84	3	86	173
Reversal of unused provisions	-67	-9	-114	-190
Utilised during the year	-151	-3	-106	-260
Accretion of interest	5		2	7
Foreign exchange differences			1	1
Other	22		516	538
At 31 December 2012	**360**	**182**	**1,373**	**1,915**
Increase of provisions	120	12	47	179
Reversal of unused provisions	-58	-2	-55	-115
Utilised during the year	-166	-16	-126	-308
Accretion of interest	2		1	3
Foreign exchange differences			-1	-1
Other	4	-2	-125	-123
At 31 December 2013	**262**	**174**	**1,114**	**1,550**
Increase of provisions	133		48	180
Reversal of unused provisions	-41		-4	-45
Utilised during the year	-125		-224	-349
Accretion of interest	1		9	10
Foreign exchange differences			1	1
Other	4	7	-356	-344
At 31 December 2014	**233**	**182**	**589**	**1,003**

The change in the restructuring provision was caused chiefly by additions to the provisions, mainly for Retail Banking, release of unused provisions due to recalibration of existing provisions and utilisation of the Customer Excellence programme provisions.

The decrease of the other provisions was mainly due to releases and utilisation of Legal provisions, Remedy guarantees, Provisions for tax litigation, Contractual engagement provisions, Pension commitments, Insurance fund liabilities and Provision regarding interest benefit on personnel mortgages.

Other includes the change of pension scheme from a defined benefit plan to a defined contribution plan. Further details are provided in note 28.

28 Pension and other post-retirement benefits

Accounting policy for pension and other post-retirement benefits

ABN AMRO sponsors a number of pension schemes in the Netherlands and abroad and applies for the accounting of these schemes IAS 19. These schemes are mainly defined contribution plans. The majority of the beneficiaries of the benefit plans are located in the Netherlands.

Defined contribution plans
For defined contribution plans, ABN AMRO pays yearly contributions determined by a fixed method. ABN AMRO has no legal or constructive obligation to pay any further contributions. Contributions are recognised directly in the income statement in the year to which they relate. Actuarial and investment risk fall are for the account of the participants in the plan.

Defined benefit plans
For defined benefit schemes, the net obligation of each plan is determined as the difference between the present value of the defined benefit obligations and the fair value of plan assets.

The actuarial assumptions used in calculating the present value of the defined benefit obligation include discount rates based on high-quality corporate bonds, inflation rate, future salary increases, employee contributions, mortality assumptions and rates of employee turnover. The assumptions are based on available market data and management expectations at the end of the reporting period.

Plan assets are measured at fair value at the balance sheet date and are netted against the defined benefit obligation.

Pension costs recognised in the income statement for defined benefit plans consist of:
- service costs;
- net interest costs determined by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments; and
- curtailments or plan amendments.

Differences between the pension costs and the contributions payable are accounted for as provisions or prepayments.

Remeasurement
Remeasurements of the net defined benefit liability (asset) are actuarial gains and losses resulting from changes in actuarial assumptions and experience adjustments (i.e. unexpectedly high or low rates of employee turnover) and are recognised in Other comprehensive income and will not be recycled to profit or loss in later periods. In determining the actual return on plan assets, the costs of managing the plan assets and any tax payable by the plan itself are deducted.

Other post-retirement benefits
Some group companies provide post-retirement benefits to their retirees such as long-term service benefits and discounts on banking products. Entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. These obligations are calculated annually.

Plans in all countries comply with applicable local regulations concerning investments and minimum funding levels.

Settlement of the Dutch defined benefit plan

In 2014, ABN AMRO reached agreement with the trade unions and the ABN AMRO Pension Fund on a new pension scheme for its employees in the Netherlands as part of the new collective labour agreement. The new pension scheme is a collective defined contribution (CDC) plan.

On 12 June 2014, ABN AMRO settled future obligations by paying a EUR 500 million pre-tax lump sum (EUR 375 million after tax) to the pension fund. The ABN AMRO Pension Fund has not fully indexed pensions in recent years and decided to grant catch-up indexation. Parties have agreed that the bank will pay the pension fund a one-off contribution of EUR 200 million (EUR 150 million after tax).

The new Dutch CDC plan has an effective date of 12 June 2014 and is a defined contribution plan based on an average salary plan with a yearly accrual ambition of 2.05% in 2014 and 1.875% as of 2015. The normal retirement age is set at 67 years. The contribution payable by pension fund participants will be lowered from 6.67% to 5.5% as from 2015. Under the new plan the annual pension contributions are calculated according to a fixed contribution calculation mechanism. The annual pension contribution is maximised at 35% of the pensionable salary.

ABN AMRO is released from all financial obligations arising out of the Dutch pension plan. Under IAS 19, this plan will no longer be accounted for as a defined benefit plan. Consequently, the Dutch pension plan has been removed from the balance sheet of ABN AMRO.

At settlement date, the net defined benefit liability of the Dutch defined benefit plan amounted to EUR 449 million. During the second half of 2014 a final calculation was made and the Dutch benefit plan amounted to EUR 441 million. The following table presents the defined benefit obligation and plan assets for the Dutch pension plan.

(in millions)	2014
Defined benefits obligation	19,844
Plan assets	19,403
Net defined benefits liabilities/ (assets) Dutch defined benefit plan	**441**

This net defined benefit liability of EUR 441 million (EUR 330 million after tax) was released to profit or loss. Furthermore, the settlement payment of EUR 500 million (EUR 375 million after tax), and the EUR 200 million (EUR 150 million after tax) one-off contribution for catch-up indexation is recognised in profit or loss at the settlement date. For 2014, the cash contribution to the pension fund is based on the calculation mechanism of the defined benefit pension plan applicable until 12 June 2014. The difference with the contribution based on the new defined contribution calculation mechanism amounting to EUR 37 million (EUR 28 million after tax) is recognised as an additional settlement payment in profit or loss.

The following table presents the total impact of the settlement of the Dutch pension plan on the income statement before tax.

(in millions)	2014
Release of the net defined benefit liabilities	-441
Settlement payment	500
Contribution 2014 above defined contribution calculation	37
Contribution for the catch-up indexation	200
Losses/(gains) on settlement	**297**

Following the settlement, remeasurements previously recognised in Other comprehensive income relating to the Dutch pension plan amounting to EUR 4,799 million (EUR 3,599 million after tax) were transferred to Other reserves.

Amounts recognised in the income statement for pensions and other post-retirement benefits

(in millions)	2014	2013	2012
Current service cost	91	228	107
Interest cost	294	616	647
Interest income	-288	-608	-844
Administrative expenses impacting defined benefit obligations			1
Administrative expenses impacting plan assets	6	13	16
Past service cost		-18	151
Losses/(gains) on settlements and curtailment	297	-8	
Other	5	1	-47
Pension expenses relating to defined benefit plans	**405**	**224**	**31**
Defined contribution plans	170	33	35
Total Pension expenses	**575**	**257**	**66**

Pension expenses relating to defined benefit plans consist mainly of the Dutch defined benefit plan until settlement date. Pension expenses for defined contribution plans consist mainly of cash contributions by the employer to the new Dutch collective defined contribution plan.

Reconciliation to the statement of financial position and other comprehensive income

(in millions)	2014	2013	2012
Present value of defined benefit obligations - funded	140	18,125	17,875
Fair value of plan assets	91	17,719	17,281
	49	**406**	**594**
Present value of unfunded obligations	47	12	6
Other	-5		-40
Net recognised liabilities/(assets) at 31 December	**91**	**418**	**560**
Remeasurements arising from changes in demographic assumptions DBO	57	-159	-67
Remeasurements arising from changes in financial assumptions DBO	-1,765	294	-5,478
Remeasurements arising from changes in financial assumptions Plan assets.	1,511	-392	1,167
Reclassification post-employment benefit plan[1]	3,599		
Other	-1	1	-1
Remeasurements in Other comprehensive income	**3,400**	**-256**	**-4,379**

[1] Reclassification of EUR 3,599 million (EUR 4,799 million gross and EUR 1,200 tax) from Remeasurement gains/(losses) to Other reserves including retained earnings following the change of pension scheme.

Present value of unfunded obligations included EUR 32 million in 2014, which was reported in previous years on the line Present value of defined benefit obligations - funded.

Change in defined benefit obligation

(in millions)	2014	2013	2012
Defined benefit obligation as at 1 January	18,137	17,881	11,781
Current service cost	91	228	107
Interest cost	294	616	647
Past service cost		-18	151
Administrative expenses impacting defined benefit obligations			1
Losses/(gains) on settlements and curtailment	-19,845		
Participants' contributions	24	57	59
Benefits paid	-217	-466	-448
Remeasurements arising from changes in demographic assumptions defined benefit obligation	-57	159	67
Remeasurements arising from changes in financial assumptions defined benefit obligation	1,765	-294	5,478
Acquisitions and disposals of subsidiaries	2	-14	-7
Foreign exchange differences	1	-1	1
Other	-9	-11	44
Defined benefit obligation as at 31 December	**187**	**18,137**	**17,881**

The remaining net defined benefit liabilities/(asset) balance consist of pensioners with a profit share, the indexation of benefits insured at an insurance company and several small defined benefit plans outside the Netherlands.

Due to the change in discount rate from 3.6% to 3.12% for the period untill 12 June 2014, the Defined benefit obligation increased by EUR 1,765 million in 2014.

An experience gain of EUR 65 million was posted due to lower than expected indexation (actual 1.4% versus 1.8% expected).

The remeasurement gain of EUR 294 million in 2013 arising from changes in financial assumptions was mainly a result of the increase in the discount rate from 3.5% to 3.6%. The remeasurement loss of EUR 159 million in 2013 arising from changes in demographic assumptions was due to indexation of 3% instead of the anticipated 1.8%.

Change in fair value of plan assets

(in millions)	2014	2013	2012
Fair value of plan assets as at 1 January	17,719	17,281	15,022
Interest Income	288	608	844
Remeasurements arising from changes in financial assumptions plan assets	1,511	-392	1,167
Employer's contributions	173	649	625
Participants' contributions	25	60	60
Direct payments		-1	
Administrative expenses impacting defined plan assets	-6	-13	-16
Benefits paid	-217	-466	-447
Acquisitions and disposals of subsidiaries		-9	-6
Asset distributed on settlements	-19,404		
Foreign exchange differences	1	-2	
Other	1	4	32
Fair value of plan assets as at 31 December	**91**	**17,719**	**17,281**

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The return of plan asset in 2014 was higher than the discount rate which resulted in a gain of EUR 1,511 million.

The remeasurement loss of EUR 392 million in 2013 arising from changes in financial assumptions plan assets was the result of a higher discount rate, which is incorporated into interest income, than the realised return on plan assets.

Plan participants' contributions in 2014 until 12 June 2014 amounted to EUR 25 million (2013: EUR 60 million). The compensating employer contribution of EUR 39 million (2013: EUR 41 million) is included in Salaries and wages.

Principal actuarial assumptions

	2014	2013	2012
Discount rate	2.1%	3.6%	3.5%
Indexation rate	1.8%	1.8%	1.8%
Expected return on plan assets as at 31 December	2.1%	3.6%	3.4%
Future salary increases	2.5%	2.5%	2.5%

The assumptions above are weighted by defined benefit obligations. The discount rate consists of a risk-free rate and a credit spread on AA-rated corporate bonds.

29 Other liabilities

The composition of Accrued expenses and other liabilities at 31 December was as follows:

(in millions)	31 December 2014	31 December 2013	31 December 2012
Accrued other expenses	1,196	1,303	1,458
Liability to unit-linked policyholders	2,453	2,171	2,170
Other borrowings			5
Sundry liabilities and other payables	1,824	3,639	1,106
Total other liabilities	**5,473**	**7,113**	**4,739**

Obligations to policyholders whose return is dependent on the return of unit-linked investments recognised in the balance sheet are measured at fair value with changes through income.

Sundry liabilities and other payables decreased as a result of higher volumes of securities transactions that were to be settled as per 31 December 2013.

30 Equity attributable to shareholders of the parent company

Share capital and other components of equity

Preference shares

Preference shares which are non-redeemable and upon which dividends are declared at the discretion of the Company are classified as equity.

Compound financial instruments

Components of compound financial instruments (liability and equity parts) are classified in their respective areas of the statement of financial position.

Other reserves

The other reserves mainly comprise retained earnings, the profit for the period and legal reserves.

Currency translation reserve

The currency translation reserve represents the cumulative gains and losses on the translation of the net investment in foreign operations, net of the effect of hedging.

Available-for-sale reserve

In this component, gains and losses arising from a change in the fair value of available-for-sale assets are recognised, net of taxes, excluding impairment losses recognised in the income statement and gains and losses on hedged financial instruments. When the relevant assets are sold or otherwise disposed of, the related cumulative gain or loss recognised in equity is recycled to the income statement.

Cash flow hedging reserve

The cash flow hedging reserve is comprised of the effective portion of the cumulative net change in the fair value of cash flow hedging instruments, net of taxes, that will be recycled to the income statement when the hedged transactions affect profit or loss.

Net investment hedging reserve

The net investment hedging reserve is comprised of the currency translation differences arising on translation of the currency of these instruments to euros, insofar as they are effective.

Dividends

Dividends on ordinary shares and preference shares classified as equity are recognised as a distribution of equity in the period in which they are approved by shareholders.

The following table shows the composition of Equity attributable to shareholders of the parent company at 31 December 2014, 31 December 2013 and 31 December 2012.

(in millions)	31 December 2014	31 December 2013	31 December 2012
Share capital	800	800	800
Share premium	4,041	4,041	4,041
Other reserves (incl. retained earnings/profit for the period)	10,838	13,623	13,096
Other components of equity	-814	-4,909	-5,073
Equity attributable to shareholders of the parent company	**14,865**	**13,555**	**14,865**

At 31 December 2014, the authorised share capital of ABN AMRO Bank N.V. amounted to EUR 800 million distributed over 800,000,000 ordinary shares with a nominal value of EUR 1.00 each.

Each ordinary share entitles the shareholder to vote per share.

As at 31 December 2014, issued and paid-up capital by ABN AMRO Bank N.V. consisted of 800,000,000 ordinary shares (EUR 800 million).

In 2014 ABN AMRO reached a negotiated result with the trade unions and the ABN AMRO Pension Fund on a new pension scheme for its employees in the Netherlands as part of the new collective labour agreement (CLA). The new pension scheme is a Collective Defined Contribution (CDC) Plan.

This scheme will cover all existing and future pension obligations of ABN AMRO. The settlement resulted in a reclassification of EUR 3.599 million (EUR 4,799 million gross and EUR 1,200 Tax) from Other components of equity to Other reserves including retained earnings.

In 2014, a final dividend of EUR 200 million for the year 2013 was paid to ordinary shareholders. An interim dividend of EUR 125 million was paid to the ordinary shareholder in November.

In 2013 a final dividend of EUR 262 million for the year 2012 was paid to the ordinary shareholder. An interim dividend of EUR 150 million was paid to the ordinary shareholder.

The following table shows the number of outstanding shares:

	Ordinary shares	Total shares outstanding
Number of shares at 31 December 2012	**800,000,000**	**800,000,000**
Number of shares at 31 December 2013	**800,000,000**	**800,000,000**
Number of shares at 31 December 2014	**800,000,000**	**800,000,000**

31 Transferred, pledged, encumbered and restricted assets

Accounting policy for transferred, pledged, encumbered and restricted assets

Transferred financial assets are arrangements/transactions for which ABN AMRO has:

- transferred the contractual rights to receive the cash flows of the financial asset to a third party, or;
- retained the contractual rights to receive the cash flows of that financial asset, but assumes a contractual obligation to pay the cash flows to a third party, or;
- alternatively, transferred a financial asset when the counterparty has the right to re-pledge or to re-sell the asset.

Depending on the circumstances, these transfers may either result in financial assets that are not derecognised in their entirety or in assets that are derecognised in their entirety. More detailed information on our recognition and derecognition policy is provided in the paragraph Significant accounting policies under note 1, Accounting policies.

Pledged assets are assets pledged as collateral for liabilities or contingent liabilities and the terms and conditions relating to its pledge. Encumbered assets are those that are pledged or other assets which we believed to be restricted to secure, credit-enhance or collateralise a transaction.

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In principle, pledged assets are encumbered assets. The following differences apply to ABN AMRO:
- Encumbered assets include mandatory reserve requirements with central banks and unit-linked investments (see note **23** Other assets);
- Encumbered assets exclude assets pledged for unused credit facilities with central banks at the statement of financial position date, i.e. mainly retained mortgage-backed securities.

Significant restrictions on assets may arise from statutory, contractual or regulatory requirements such as:
- those that restrict the ability of the parent or its subsidiaries to transfer cash or other financial assets to (or from) other entities within the group;
- guarantees or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid to other entities within ABN AMRO;
- protective rights of noncontrolling interests might restrict the ability of ABN AMRO to access and transfer assets freely to or from other entities within ABN AMRO and to settle liabilities of ABN AMRO.

Transferred financial assets

This disclosure provides insight into the relationship between these transferred financial assets and associated financial liabilities in order to understand which risks the bank is exposed to when the assets are transferred.

If transferred financial assets continue to be recognised on the balance sheet, ABN AMRO Bank is still exposed to changes in the fair value of the assets.

Transferred financial assets that are not derecognised in their entirety

The following table shows transferred financial assets that are not derecognised in their entirety.

	31 December 2014			31 December 2013			31 December 2012		
(in millions)	Loans and receivables (at amortised cost)	Financial assets held for trading (at fair value through profit and loss)	Total	Loans and receivables (at amortised cost)	Financial assets held for trading (at fair value through profit and loss)	Total	Loans and receivables (at amortised cost)	Financial assets held for trading (at fair value through profit and loss)	Total
Securitisations									
Carrying amount Transferred assets	8,795		8,795	12,043		12,043	15,851		15,851
Carrying amount Associated liabilities	8,999		8,999	12,285		12,285	15,964		15,964
Fair value of assets	9,156		9,156	12,316		12,316	15,826		15,826
Fair value of associated liabilities	9,053		9,053	12,347		12,347	16,010		16,010
Net position	**103**		**103**	**-31**		**-31**	**-184**		**-184**
Securities financing									
Carrying amount Transferred assets		1,226	1,226		4,000	4,000		1,447	1,447
Carrying amount Associated liabilities		1,226	1,226		4,000	4,000		1,447	1,447
Fair value of assets		1,226	1,226		4,000	4,000		1,447	1,447
Fair value of associated liabilities		1,226	1,226		4,000	4,000		1,447	1,447
Net position									
Other									
Carrying amount Transferred assets		442	442		382	382		136	136
Carrying amount Associated liabilities		494	494		383	383		126	126
Fair value of assets		442	442		382	382		136	136
Fair value of associated liabilities		494	494		383	383		126	126
Net position		**-52**	**-52**		**-1**	**-1**		**10**	**10**
Totals									
Carrying amount Transferred assets	8,795	1,668	10,463	12,043	4,382	16,425	15,851	1,583	17,434
Carrying amount Associated liabilities	8,999	1,720	10,719	12,285	4,383	16,668	15,964	1,573	17,537
Fair value of assets	9,156	1,668	10,824	12,316	4,382	16,698	15,826	1,583	17,409
Fair value of associated liabilities	9,053	1,720	10,773	12,347	4,383	16,730	16,010	1,573	17,583
Net position	**103**	**-52**	**51**	**-31**	**-1**	**-32**	**-184**	**10**	**-174**

Securitisations

The bank uses securitisations as a source of funding whereby the Special Purpose Entity (SPE) issues debt securities. Pursuant to a securitisation transaction utilising true sale mechanics, the bank transfers the title of the assets to SPEs.When the cash flows are transferred to investors in the notes issued by consolidated securitisation vehicles, the assets (mainly residential mortgage loans) are considered to be transferred.

Securities financing

Securities financing transactions are entered into on a collateralised basis for mitigating the bank's credit risk exposure. In repurchase agreements and securities lending transactions, ABN AMRO gets the securities returned at maturity. The counterparty in the transactions holds the securities as collateral, but has no recourse to other assets of ABN AMRO. ABN AMRO transfers the securities and, if the counterparty has the right to re-sell or re-pledge them, the bank considers these assets transferred assets.

Continuing involvement in transferred financial assets that are derecognised in their entirety

The bank does not have any material transferred assets that are derecognised in their entirety, but where ABN AMRO has continuing involvement.

Pledged and Encumbered assets

Pledged and encumbered assets are no longer readily available to ABN AMRO to secure funding, satisfy collateral needs or be sold to reduce the funding requirement. The following activities conducted by ABN AMRO give rise to pledged assets:

- cash and securities provided as collateral to secure trading and other liabilities, mainly derivatives;
- mortgages and SME loans pledged to secure funding transactions such as covered bonds and securitisations;
- securities lent as part of repurchase and securities lending transactions;
- assets pledged as security to comply with the contractual terms regarding the cross-liability resulting from a sale under the EC Remedy. Further information is provided in note 32 Commitments and contingent liabilities.

The following table provides an overview of assets pledged as security and encumbered assets.

(in millions)	31 December 2014	31 December 2013	31 December 2012
Assets pledged			
Cash and balances at central banks	253	253	292
Financial assets held for trading	5,062	4,446	1,584
Financial investments available-for-sale		160	162
Loans and receivables - banks			
- Interest bearing deposits	9,817	7,193	10,219
Loans and receivables - Customers			
- Residential mortgages	102,646	111,596	110,956
- Commercial loans	5,644	6,208	6,795
Total assets pledged as security	**123,422**	**129,856**	**130,008**
Differences between pledged and encumbered assets			
Financial investments available-for-sale	133		
Loans and receivables – banks[1]	498	221	287
Loans and receivables – customers[2]	-52,928	-61,298	-56,085
Other assets[3]	2,453	2,171	2,170
Total differences between pledged and encumbered assets	**-49,844**	**-58,906**	**-53,628**
Total encumbered assets	**73,578**	**70,950**	**76,380**
Total assets	**386,867**	372,022	393,758
Total encumbered assets as percentage of total assets	19.0%	19.1%	19.4%

1 Includes mandatory reserve deposits.
2 Excludes mainly mortgage-backed securities.
3 Includes unit-linked investments.

We have aligned our definition for encumbered assets with the EBA, which provided guidance in 2014 stating that cash receivable in securities borrowing and reverse repurchase transactions are not encumbered. These are also no longer considered pledged. We have also adjusted the comparative figures for 2013 and 2012 to reflect the correct underlying trend.

Off-balance sheet collateral held as security for assets

Mainly as part of professional securities transactions, ABN AMRO obtains securities on terms which permit it to repledge or resell the securities to others. These transactions are conducted under terms that are usual and customary to standard professional securities transactions.

ABN AMRO controls credit risk associated with these activities by monitoring counterparty credit exposure and collateral value on a daily basis and requiring additional collateral to be deposited with or returned to ABN AMRO when deemed necessary.

(in millions)	31 December 2014	31 December 2013	31 December 2012
Fair value of securities received which can be sold or repledged	54,929	59,039	62,533
- of which: fair value of securities repledged/sold to others	27,988	28,463	49,027

ABN AMRO has an obligation to return the securities accepted as collateral to its counterparties.

Significant restrictions on the ability to access or use ABN AMRO's assets

ABN AMRO adopted IFRS 12 as of 1 January 2014. The purpose of disclosing assets with significant restrictions is to provide information that enables users of its consolidated financial statements to evaluate the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group.

At balance sheet date, ABN AMRO did not have any material non-controlling interests and therefore did not give rise to significant restrictions.

Restricted financial assets consist of assets pledged as collateral against an existing liability or contingent liability and encumbered assets. Other restrictions impacting ABN AMRO's ability to use assets:

- assets as a result of collateralising repurchase and borrowing agreements (2014: EUR 16,933 million, 2013: EUR 16,212 million, 2012: EUR 5,477 million);
- assets held in certain jurisdictions to comply with local liquidity requirements and are subject to restrictions in terms of their transferability within ABN AMRO (2014: EUR 1,199 million, 2013: EUR 745 million, 2012: EUR 780 million).

ABN AMRO Bank in general is not subject to significant restrictions that would prevent the transfer of dividends and capital within ABN AMRO; except for regulated subsidiaries which are required to maintain capital to comply with local regulations (2014: EUR 957 million, 2013: EUR 867 million, 2012: EUR 789 million).

32 Commitments and contingent liabilities

Accounting policy for off-balance sheet items

Commitments

Loan commitments that allow for draw-down of a loan within the timeframe generally established by regulation or convention in the marketplace are not recognised as derivative financial instruments. Acceptances comprise undertakings by ABN AMRO to pay bills of exchange drawn on customers. ABN AMRO expects most acceptances to be settled simultaneously with the reimbursement from customers. Acceptances are not recognised in the balance sheet and are disclosed as commitments.

Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet but are disclosed unless the outflow of economic resources is remote.

Committed credit facilities

Commitments to extend credit take the form of approved but undrawn loans, overdraft revolving and underwriting facilities. New loan offers have a commitment period that does not extend beyond the normal underwriting and settlement period.

Guarantees and other commitments

ABN AMRO provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These transactions have fixed limits and generally extend for periods of up to 5 years. Expirations are not concentrated in any particular period. ABN AMRO also provides guarantees by acting as a settlement agent in securities borrowing and lending transactions. In addition, ABN AMRO has entered into transactions to guarantee various liabilities with respect to insurance-related regulatory reserve financing transactions.

The contractual amounts of commitments and contingent liabilities are set out by category in the following table. The amounts stated in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if the relevant contract parties completely failed to perform as contracted.

Many of the contingent liabilities and commitments are expected to expire without being advanced in whole or in part. This means that the amounts stated do not represent expected future cash flows. Additionally, guarantees and letters of credit are supported by varying levels of collateral.

Aside from the items which are included in the Guarantees and other commitments, non-quantified guarantees have been given for ABN AMRO's securities custody operations and for interbank bodies and institutions. ABN AMRO companies participate in collective guarantee schemes (e.g. deposit guarantees) applicable or mandatory in various countries. Furthermore, statements of liability within the meaning of Article 403 Book 2 of the Dutch Civil Code have been issued for a number of ABN AMRO companies. ABN AMRO has been issued a statement of liability within the meaning of Article 403 Book 2 of the Dutch Civil Code by ABN AMRO Group N.V.

The committed credit facilities, guarantees and other commitments at 31 December 2014, 2013 and 2012 are summarised in the following table.

					Payments due by period
(in millions)	Less than one year	Between one and three years	Between three and five years	After five years	Total
31 December 2014					
Committed credit facilities	**6,558**	**2,907**	**4,261**	**2,436**	**16,164**
Guarantees and other commitments:					
Guarantees granted	540	73	94	1,884	2,592
Irrevocable letters of credit	3,841	878	276	504	5,499
Recourse risks arising from discounted bills	6,940	275	16	12	7,243
Total guarantees and other commitments	**11,322**	**1,227**	**386**	**2,401**	**15,335**
Total commitments and contingent liabilities	**17,880**	**4,134**	**4,647**	**4,837**	**31,498**
31 December 2013					
Committed credit facilities	**5,623**	**3,110**	**2,268**	**2,763**	**13,764**
Guarantees and other commitments:					
Guarantees granted	440	1,091	102	1,901	3,534
Irrevocable letters of credit	4,125	772	186	332	5,415
Recourse risks arising from discounted bills	6,983	133	13	25	7,154
Total guarantees and other commitments	**11,548**	**1,996**	**301**	**2,258**	**16,103**
Total commitments and contingent liabilities	**17,171**	**5,106**	**2,569**	**5,021**	**29,867**
31 December 2012					
Committed credit facilities	**10,559**	**2,351**	**2,321**	**2,404**	**17,635**
Guarantees and other commitments:					
Guarantees granted	732	1,153	30	1,902	3,817
Irrevocable letters of credit	4,203	568	155	548	5,474
Recourse risks arising from discounted bills	7,383	89	6	8	7,486
Total guarantees and other commitments	**12,318**	**1,810**	**191**	**2,458**	**16,777**
Total commitments and contingent liabilities	**22,877**	**4,161**	**2,512**	**4,862**	**34,412**

The increase in Committed credit facilities was mainly related to the irrevocable credit lines granted to commercial clients.

The decrease in Guarantees granted was due to the change in cross liability structure, related to the buyback of Deutsche Bank Nederland NV. More details on this are provided in Cross liability.

Leasing

ABN AMRO mainly enters into leases classified as operating leases (including property rental). The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense. If it is decided that an operating lease will be terminated or vacated before the lease period has expired, the lesser of any penalty payments required and the remaining payments due once vacated (less sub leasing income) is recognised as an expense. If the lease agreement transfers substantially all the risks and rewards inherent to ownership of the asset, the lease is recorded as a finance lease and the related asset is capitalised.

Operating lease commitments

ABN AMRO leases various offices and other premises under non-cancellable operating lease arrangements. The leases have various terms, escalation and renewal rights. There are no contingent rents payable. ABN AMRO also leases equipment under non-cancellable lease arrangements. Total operating lease agreements amounted to EUR 467 million (2013: EUR 457 million), of which EUR 387 million (2013: EUR 383 million) is due within five years.

Transactions involving the legal form of a lease

ABN AMRO has entered into IT outsourcing arrangements that involve leases in form but not in substance. The contract periods of the arrangements vary between one and five years. The total amount of the lease payments was EUR 524 million for 2014 (2013: EUR 503 million).

Other contingencies

ABN AMRO is involved in a number of legal proceedings in the ordinary course of business in a number of jurisdictions. In presenting consolidated financial information, management makes estimates regarding the outcome of legal, regulatory and arbitration matters, and takes a charge to the income statement when losses with respect to such matters are more likely than not. Charges, other than those taken periodically for costs of defence, are not established for matters when losses cannot be reasonably estimated.

On the basis of information currently available, and having taken counsel with legal advisors, ABN AMRO is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the consolidated financial position and the consolidated result of ABN AMRO.

In particular:

- Certain hedge funds initiated proceedings in Belgium and claimed an amount of EUR 1.75 billion plus 8.75% coupon until 7 December 2030 from four issuers, amongst which ABN AMRO, in relation to the conversion of Ageas mandatory convertible securities. On 23 March 2012, the Commercial Court in Brussels (Belgium) rejected all claims of the hedgefunds. This verdict underlines the verdict in the summary proceedings (kort geding) of November 2010. Certain hedge funds have filed an appeal against the verdict. ABN AMRO remains confident that has acted within its rights and therefore also continues to be positive about the outcome of the currently pending appeal proceedings.
- As previously reported, ABN AMRO, 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. Provision of the custodial services has resulted in a number of legal claims, including by BLMIS' trustee in bankruptcy (Irving Picard), and liquidators of certain funds, as they pursue legal actions in attempts to recover payments made as a result of the Madoff fraud and/or to make good their alleged losses. Certain ABN AMRO subsidiaries are defendants in these proceedings. 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. As previously reported, a total amount of EUR 16 million

(exclusive of costs) was recovered in the first half of 2009. In 2011, 2012 and 2013, one of ABN AMRO's subsidiaries was able to sell shares and limited partnership interests that were provided to it as collateral or which it had bought to hedge its exposure in the context of the collateralized loans and total return swap transactions referred to above. These sales resulted in proceeds of EUR 52, 78 and 253 million respectively and an equivalent amount provided for in 2008 was subsequently released.

- On 4 December 2013, Union Bancaire Privée S.A. commenced an ICC arbitration against ABN AMRO. In this arbitration UBP claims compensation for potential future damages as a result of two events. For these events, UBP considers ABN AMRO to be liable under the share purchase agreement between the two parties regarding the sale of ABN AMRO (Switzerland) AG. The sale of ABN AMRO (Switzerland) AG was concluded in 2011.

Cross liability

A legal demerger may cause so-called cross-liabilities. Pursuant to section 2:334t of the Dutch Civil Code, the acquiring company or companies and the demerging company, if it continues to exist, are jointly and severally liable for the obligations of the demerging company at the time of the demerger. The acquiring companies and the continuing demerged company will remain fully liable for indivisible obligations. For divisible obligations (e.g. monetary obligations) the acquiring company to whom the obligation transferred or, if the obligation remained where it was, the company that continued to exist is fully liable. However, if an obligation has not been transferred to or remained with a company, that company's liability for divisible obligations will be limited to the value of the assets acquired or retained in the demerger. A cross-liability is of a secondary nature. The company that did not acquire or retain the obligation is not required to perform until the company that did acquire or retain the obligation has failed to perform.

On 6 February 2010, the former ABN AMRO Bank N.V. demerged into two entities: RBS N.V. and ABN AMRO Bank N.V. (the '2010 Demerger'), giving rise to cross-liabilities similar to the cross-liabilities described above. If ABN AMRO Bank N.V. fails to perform its obligations existing at the time of the 2010 Demerger, RBS N.V. is liable for the performance; if RBS N.V. fails to perform its obligations existing at the time of the 2010 Demerger, ABN AMRO Bank N.V. is liable. RBS N.V.'s contingent liability for divisible obligations as a result of the 2010 Demerger is limited to EUR 4 billion, whereas ABN AMRO Bank N.V.'s contingent liability is limited to EUR 1.8 billion (which amount remained unchanged as per 31 December 2014). ABN AMRO Bank N.V. has put in place arrangements to mitigate the risks of such contingent liability and received collateral from RBS Plc amounting to EUR 949 million (2013: EUR 943 million). ABN AMRO Bank N.V. did not post any collateral with RBS N.V. or RBS Plc.

On 7 August 2008, the EC Remedy part of ABN AMRO Bank N.V. was demerged to New HBU II N.V. (the '2008 Demerger'), giving rise to cross-liabilities similar to the cross-liabilities as described above. If ABN AMRO Bank N.V. fails to perform its obligations existing at the date of the 2008 Demerger, New HBU II N.V. is liable for the performance; if New HBU II N.V. fails to perform its obligations existing at the date of the 2008 Demerger, ABN AMRO Bank N.V. is liable.

On 1 April 2010, New HBU II N.V. was transferred to Deutsche Bank AG and renamed Deutsche Bank Nederland N.V. As a result of the cross-liabilities described above, if RBS N.V. or ABN AMRO Bank N.V. fails to perform its obligations existing at the date of the 2008 Demerger, Deutsche Bank Nederland N.V. is liable for the performance. Deutsche Bank Nederland N.V.'s contingent liability in this regard is limited to EUR 950 million. On 27 September 2014, pursuant to a put option exercised by Deutsche Bank AG, the assets and liabilities of Deutsche Bank Nederland N.V., apart from the cross-liabilities created as a result of the 2008 Demerger, were demerged into a newly incorporated subsidiary of Deutsche Bank AG (the '2014 Demerger'). Deutsche Bank Nederland N.V. was subsequently acquired by ABN AMRO Bank and renamed Sumsare N.V. As a consequence, Deutsche Bank Nederland N.V.'s contingent liability under the 2008 Demerger is now held by Sumsare N.V., a wholly-owned subsidiary of ABN AMRO Bank N.V. Deutsche Bank AG indemnified Sumsare N.V. for any claims (including cross-liabilities) in connection with the 2014 Demerger.

Interest rate derivatives to Small and Medium sized Enterprises (SME) Clients

Since 2014, there has been a public debate in the Netherlands on a bank's duty of care towards SME's with respect to interest rate derivatives.

The bank has entered into (and continues to enter into) interest rate derivatives with its SME clients in combination with floating interest rate loans to its SME clients. The bank has 350,000 SME clients, of which approximately 4,500 have one or more interest rate derivatives. The portfolio of the bank consists of approximately 6,000 interest rate derivatives primarily consisting of interest rate swaps and caps. The SME clients with a floating interest rate loan entered into an interest rate derivative with the purpose of fixing their interest rate risk. A combination of a floating interest rate loan together with an interest rate swap was less expensive for clients than the alternative of a loan with a fixed interest rate.

As a result of the decline in interest rates, the interest rate swaps have a negative mark-to-market value. There are no negative consequences for clients as long as the loan is not repaid, in whole or in part, prior to its maturity date.

Some SME clients needed or wanted to repay their floating interest rate loans prior to their maturity date. As a consequence, the interest rate swap needed to be unwound in order to assure that no overhedge was created. In that case, and consistent with standard market practice, the SME clients had to pay the bank the negative mark-to-market value of the interest rate swap. The payment of a negative mark-to market value is comparable with the payment of a penalty interest upon early repayment of a fixed interest rate loan. The bank received a limited amount of complaints. Some clients instigated legal proceedings. Most of the claims relate to the banks' alleged violation of its duty of care for instance that the bank did not properly inform them of the risks associated with interest rate swaps. In some of these cases the claim of the client was denied. In some other cases, the bank paid a compensation to the client.

At the request of the AFM, a dedicated project team within the bank, with the assistance of external specialists, has been reviewing our SME client files containing interest rate derivatives. The objective of this review is to determine whether the bank acted in accordance with the laws and regulations applicable at that time. The preliminary outcome of this review and the situation in respect of claims and litigation have not resulted in the recognition of a provision at balance sheet date as there is no present obligation for which it is probable that it will result in an outflow of resources embodying economic benefits.

33 Related parties

Parties related to ABN AMRO include ABN AMRO Group N.V. with control, the Dutch State and NLFI with significant influence, associates, pension funds, joint ventures, the Managing Board, the Supervisory Board, close family members of any person referred to above, entities controlled or significantly influenced by any person referred to above and any other related entities. ABN AMRO has applied the partial exemption for government-related entities as described in IAS 24 paragraphs 25-27.

As part of its business operations, ABN AMRO frequently enters into transactions with related parties. Transactions conducted with the Dutch State are limited to normal banking transactions, taxation and other administrative relationships with the exception of items specifically disclosed in this note. Normal banking transactions relate to loans and deposits and are entered into under the same commercial and market terms that apply to non-related parties.

Total outstanding loans and advances to members of the Managing Board and Supervisory Board of ABN AMRO amounted to EUR 5.8 million in 2014 (2013: EUR 6.1 million; 2012: EUR 5.8 million). The outstanding loans and advances to members of the Managing Board and the Supervisory Board mainly consist of residential mortgages granted under standard personnel conditions. Other loans and advances have client conditions (further information is provided in the Remuneration report).

Credits, loans and bank guarantees in the ordinary course of business may be granted by ABN AMRO companies to executive managers or to close family members of Board members and close family members of executive managers. At 31 December 2014, there were no outstanding credits, loans or bank guarantees, other than the ones included in the ordinary course of business noted above.

Balances with joint ventures, associates and other

(in millions)	Joint ventures	Associates	Other[1]	Total
31 December 2014				
Assets	20	325		345
Liabilities	161	749		910
Irrevocable facilities		40		40
2014				
Income received	33	47		80
Expenses paid	15	10		25
31 December 2013				
Assets	13	372		385
Liabilities	178	2,156	357	2,691
Irrevocable facilities		22		22
2013				
Income received	34	46		80
Expenses paid	14	9	241	264
31 December 2012				
Assets	12	167	987	1,166
Liabilities	88	1,853		1,941
Irrevocable facilities		15		15
2012				
Income received	34	56		90
Expenses paid	14	3	334	351

1 The column Other includes the transactions related to the pension funds. For more information about the settlement of the pension plan, please refer to Note 28.

Liabilities with Associates decreased mainly as a result of losses related to two associate companies.

Liabilities with Other parties were nihil in 2014 due to the fact the pension scheme in the Netherlands is no longer a defined benefit plan, but a defined contribution plan. Therefore, the criteria for related parties was no longer met.

Balances with ABN AMRO Group N.V. and the Dutch State

No balances were held with ABN AMRO Group N.V. at 31 December 2014, except for the payment of dividend.

The following table provides information of balances with the Dutch State.[1]

(in millions)	31 December 2014	31 December 2013	31 December 2012
Assets:			
Financial assets held for trading	897	1,262	821
Financial investments - available for sale	6,884	5,666	5,401
Loans and receivables - customers	1,606	377	815
Other assets	22	30	
Liabilities:			
Due to customers[2]	1,968	2,247	2,111
Subordinated loans[2]	1,654	1,654	1,650
	2014	2013	2012
Income statement:			
Interest income	147	142	160
Interest expense	106	112	130
Net trading income	3	64	297
Net fee and commission income	-3	-26	-26

1 Excluding balances related to tax positions
2 Part of Due to customers (EUR 1,9 billion) and the full amount of Subordinated loans are related to liabilities the Dutch State acquired from Ageas on 3 October 2008.

Royal Bank of Scotland (RBS) is still the legal owner of specific Consortium shared assets and liabilities. This means that these assets and liabilities are for the risk and reward of RBS, Santander and the Dutch State as the shareholder of RFS Holdings B.V. On 1 April 2010, ABN AMRO signed an indemnity agreement with the Dutch State for a shortfall in capital above a certain amount related to specific assets and liabilities of RFS Holdings. ABN AMRO has assessed the risk for this shortfall and considers the risk to be remote.

Transactions and balances related to taxation are included in note 10 Income tax expense, tax assets and tax liabilities. Most of the tax items in this note consist of transactions and balances with the Dutch tax authorities.

Financial assets held for trading decreased mainly as a result of lower Government bonds which used to be held as hedge for the Short-Term Interest Trading portfolio (EUR 0.3 billion) and a total return swap portfolio (EUR 0.3 billion).

Financial investments – available for sale increased mainly due to active management of the liquidity buffer. Debt Securities – financial investments increased by EUR 1.2 billion.

Loans and receivables – customers were higher due to a collateral swing as a result of the Dutch State mandate, allowing the bank to borrow up to EUR 1 billion on a daily basis.

Due to customers decreased by EUR 0.3 billion, due to redemption of part of the loan (including accrued interest) acquired from the Dutch State related to Ageas on 3 October 2008.

Net trading income was lower in line with the decrease in trading positions (EUR 0.4 billion).

34 Remuneration of Managing Board and Supervisory Board

Remuneration of Managing Board

ABN AMRO's remuneration policy was formally approved by shareholders and adopted by the Supervisory Board.

The remuneration package for the Managing Board consists of the following components:
- annual base salary;
- benefits and other entitlements;
- severance payments.

The following statement summarises the income components for the individual Managing Board members for the year 2014.

(In thousands)	Base salary	Variable remuneration[1]	Pension costs[2]	Severance payments	Temporary fixed income[3]	Total
2014						
G. Zalm	759		303			1,062
J. van Hall	608		222		100	930
C. van Dijkhuizen	608		214		100	922
C.E. Princen	608		252		100	960
W. Reehoorn	608		224		100	932
C.F.H.H. Vogelzang	608		226		100	934
J.G. Wijn	608		254		100	962
Total	**4,407**	**0**	**1,695**	**0**	**600**	**6,702**
2013						
G. Zalm	759		310			1,069
J.C.M. van Rutte[4]	253		82			335
J. van Hall	608		139			747
C. van Dijkhuizen[5]	405		172			577
C.E. Princen	608		213			821
W. Reehoorn	608		144			752
C.F.H.H. Vogelzang	608		149			757
J.G. Wijn	608		222			830
Total	**4,457**	**0**	**1,431**	**0**	**0**	**5,888**

1 As a consequence of the applicability of the Bonus Prohibition Act the Managing Board Members were not entitled to receive variable compensation.
2 Pension costs exclusively comprise service costs for the year computed on the basis of the amended pension accounting standard IAS 19 (for the DB-pensionscheme until 12-06-2014) and employer contribution to the pension fund (for the CDC-pension scheme as of 12-06-2014),
3 Allowance during the applicability of the Bonus Prohibition Act.
4 J.C.M. van Rutte stepped down as member of the Managing Board as of 31 May 2013,
5 C. van Dijkhuizen was apointed to the Managing Board as of 1 May 2013,

The wage tax (*Crisisheffing*) imposed by the Dutch government in 2013 and 2012 no longer applied in 2014. In 2013, just as in 2012, a wage tax (*Crisisheffing*) was payable by the employer for taxable wages above EUR 150,000 per employee. This tax was charged to the company and does not affect the remuneration of the staff involved. This additional tax with respect to the Managing Board members amounted to EUR 0.5 million in 2013 (2012: EUR 0.5 million) (salary, pension costs and additional 16% tax amounts resulted in a total amount of EUR 6.4 million in 2013 (2012: EUR 5.7 million)).

After careful consideration and with due observance of the one-off transitional arrangement included in the Bonus Prohibition Act, the Supervisory Board decided to award the members of the Managing Board a temporary fixed allowance. This allowance of EUR 100,000 (gross), which represents 16.67% of the 2011 annual salary, applies effectively as from 1 January 2012 for as long as the Bonus Prohibition Act is applicable to ABN AMRO. The Supervisory Board decided that as from 2014 this allowance would actually be paid out to the six eligible Managing Board members. The Chairman of the Managing Board is not entitled to this allowance as this is not part of his remuneration package.

Loans from ABN AMRO to Managing Board members

The following table summarises outstanding loans to the members of the Managing Board at 31 December 2014.

	2014		2013	
(In thousands)	Outstanding 31 December	Interest rate	Outstanding 31 December	Interest rate
C. van Dijkhuizen	308	2.8%	346	3.5%
J. van Hall	69	3.5%	69	3.5%
C.E. Princen	810	3.2%	827	3.3%
W. Reehoorn	1,429	3.8%	1,429	3.8%
C.F.H.H. Vogelzang	1,426	2.1%	1,438	2.1%
J.G. Wijn	761	2.1%	986	2.3%

Remuneration of the Supervisory Board

The following statement summarises the income components for the individual Supervisory Board members.

(In thousands)	2014[1)]	2013
D.J.M.G. van Slingelandt[2)]	91	88
J.H.M. Lindenbergh[3)]	28	100
H.P. de Haan	78	78
S. ten Have	60	60
A. Meerstadt	63	63
M.J. Oudeman	68	60
J.M. Roobeek	63	63
P.N. Wakkie	75	75
O.L. Zoutendijk[4)]	38	
Total	**564**	**587**

1 Remuneration amounts excluding VAT.
2 D.J.M.G. van Slingelandt was appointed as Chairman of the Supervisory Board as of 10 April 2014.
3 J.H.M. Lindenbergh stepped down as Chairman and Member of the Supervisory Board as of 10 April 2014.
4 O.L. Zoutendijk was appointed to the Supervisory Board as of 1 July 2014.

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Loans from ABN AMRO to Supervisory Board members

The following table summarises the outstanding loans to the members of the Supervisory Board at 31 December 2014.

	2014		2013	
(In thousands)	Outstanding 31 December	Interest rate	Outstanding 31 December	Interest rate
P.N. Wakkie	971	4.3%	993	4.3%

35 Employee share option and share purchase plans

No employee share option plans are in place for the years 2014, 2013 and 2012.

36 Post balance sheet events

Due to the implementation of the Bonus Prohibition Act, the variable compensation element that formed part of the agreed and benchmarked remuneration package was abolished with effect from the 2011 performance year.
After careful consideration and with due observance of the one-off transition arrangement included in the Bonus Prohibition Act, the Supervisory Board decided in 2012 to award the members of the Managing Board a temporary fixed allowance.

This allowance of EUR 100,000 applied effectively as from 1 January 2012. The Chairman of the Managing Board is not entitled to this allowance. The six eligible Managing Board Members waived their entitlement to this allowance during 2012 and 2013. In June 2014, it was decided to pay out this allowance, effective from 1 January 2014. On 29 March 2015, the six eligible Managing Board members have renounced the EUR 100,000 allowance paid to them, and the related pension contributions. This refund and reduction in remuneration will be recognised by ABN AMRO in 2015.

On 31 March 2015, Mr Wakkie resigned from ABN AMRO's Supervisory Board with immediate effect. Mr Wakkie was Vice-Chairman of the Supervisory Board and Chairman of the Remuneration, Selection and Nomination Committee.

Other information

Major subsidiaries and participating interests

Retail banking

ABN AMRO Hypotheken Groep B.V.[1]		Amersfoort, The Netherlands
ALFAM Holding N.V.[1]		Bunnik, The Netherlands
APG - ABN AMRO Pensioeninstelling N.V.	70%	Amsterdam, The Netherlands
Delta Lloyd ABN AMRO Verzekeringen Holding B.V.	49%	Zwolle, The Netherlands
European Merchant Services B.V.	49%	Diemen, The Netherlands
International Card Services B.V.[1]		Diemen, The Netherlands
MoneYou B.V.[1]		Amsterdam, The Netherlands

Private banking

ABN AMRO Bank (Luxembourg) S.A.		Luxembourg, Luxembourg
ABN AMRO Life Capital Belgium N.V.		Brussels, Belgium
ABN AMRO Life S.A.		Luxembourg, Luxembourg
ABN AMRO Social Impact Investments B.V.		Amsterdam, The Netherlands
ABN AMRO Social Impact Fund B.V.		Amsterdam, The Netherlands
ABN AMRO (Guernsey) Ltd		St Peter Port, Guernsey, Channel Islands
Banque Neuflize OBC S.A.	99.86%	Paris, France
Bethmann Bank A.G.		Frankfurt am Main, Germany
Bethmann Liegenschaft K.G.	50%	Frankfurt am Main, Germany
Cofiloisirs S.A.	45%	Paris, France
Neuflize Vie S.A.	60%	Paris, France
Triodos MeesPierson Sustainable Investment Management B.V.	50%	Zeist, The Netherlands

Corporate banking

ABN AMRO Clearing Bank N.V.[1]		Amsterdam, The Netherlands
ABN AMRO Clearing Chicago LLC		Chicago, USA
ABN AMRO Clearing Hong Kong Ltd		Hong Kong, China
ABN AMRO Clearing Singapore Pte Ltd		Singapore, Singapore
ABN AMRO Clearing Sydney Pty		Sydney, Australia
ABN AMRO Clearing Tokyo Ltd		Tokyo, Japan
ABN AMRO Commercial Finance Holding B.V.[1]		s-Hertogenbosch, The Netherlands
ABN AMRO Commercial Finance N.V.[1]		s-Hertogenbosch, The Netherlands
ABN AMRO Commercial Finance GmbH		Köln, Germany
ABN AMRO Commercial Finance S.A.		Paris, France
ABN AMRO Commercial Finance (UK) Ltd		Haywards Heath, United Kingdom
ABN AMRO Effecten Compagnie B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Groenbank B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Investment Holding B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Jonge Bedrijven Fonds B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Lease N.V.[1]		Utrecht, The Netherlands
ABN AMRO Participaties Fund I B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Participaties NPE Fund N.V.[1]		Amsterdam, The Netherlands
ABN AMRO Securities USA LLC		New York, USA
Aline Holding S.A.	50%	Majuro, Marshall Islands
Alma Maritime Ltd	38%	Majuro, Marshall Islands
Attema B.V.	93%	Gorinchem, The Netherlands
Banco ABN AMRO S.A.		São Paulo, Brasil
Bass Drill Alpha Ltd	26%	Hamilton, Bermuda
Car Carriers Management B.V.	50%	Breskens, The Netherlands

CM Bulk Ltd	50%	Nassau, Bahamas
Edda Accommodation Holding AS	20%	Oslo, Norway
European Central Counterparty N.V.	25%	Amsterdam, The Netherlands
Graig MCI Ltd	49%	Cardiff, United Kingdom
Holland Clearing House N.V.	25%	Amsterdam, The Netherlands
Holland Ventures B.V.	45%	Amsterdam, The Netherlands
HSM Products Ltd	47%	Majuro, Marshall Islands
Iceman IS	39%	Oslo, Norway
Icestar B.V.		Rotterdam, The Netherlands
Kuiken Groep B.V.	85%	Utrecht, The Netherlands
Maas Capital Investments B.V.[1]		Rotterdam, The Netherlands
Maas Capital Offshore B.V.		Amsterdam, The Netherlands
MP Solar B.V.		Amsterdam, The Netherlands
Poseidon Containers LLC	6%	Majuro, Marshall Islands
Principal Finance Investments Holding B.V.[1]		Amsterdam, The Netherlands
Richmont Preferente aandelen C B.V.	50%	Amsterdam, The Netherlands
Safe Ship Investment Company S.C.A. SICAR	49%	Luxembourg, Luxembourg
Group functions		
ABN AMRO Arbo Services B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Funding USA LLC		New York, USA
ABN AMRO Holding International AG		Zug, Switzerland
ABN AMRO Holdings USA LLC		New York, USA
Currence Holding B.V.	36%	Amsterdam, The Netherlands
Equens S.E.	18%	Utrecht, The Netherlands
Geldservices Nederland B.V.	33%	Amsterdam, The Netherlands
Nederlandse Financieringsmij voor Ontwikkelingslanden N.V.	20%	Den Haag, The Netherlands
Stater N.V.		Amersfoort, The Netherlands
Branches/Representative Offices		
ABN AMRO Bank N.V. (Belgium) Branch		Berchem, Belgium
ABN AMRO Bank N.V. Frankfurt Branch		Frankfurt am Main, Germany
ABN AMRO Bank N.V. (Hong Kong) Branch		Hong Kong, China
ABN AMRO Bank N.V. (Jersey) Branch		St Helier, Jersey, Channel Islands
ABN AMRO Bank N.V. (Money Lending Business)		Tokyo, Japan
ABN AMRO Bank N.V. (Norway) Branch		Oslo, Norway
ABN AMRO Bank N.V. (Singapore) Branch		Singapore, Singapore
ABN AMRO Bank N.V. Spanish Branch		Marbella, Spain
ABN AMRO Bank N.V. (UAE/DIFC) Branch		Dubai, United Arabic Emirates
ABN AMRO Bank N.V. (UK) Branch		London, United Kingdom
ABN AMRO Bank N.V. Representative Office (Dubai Multi Commodities Centre)		Dubai, United Arabic Emirates
ABN AMRO Bank N.V. Representative Office Greece		Piraeus, Greece
ABN AMRO Bank N.V. Representative Office Moscow		Moscow, Russia
ABN AMRO Bank N.V. Representative Office New York		New York, USA
ABN AMRO Bank N.V. Representative Office Shanghai		Shanghai, China
ABN AMRO Clearing Bank N.V. Frankfurt Branch		Frankfurt am Main, Germany
ABN AMRO Clearing Bank N.V. (Singapore) Branch		Singapore, Singapore
ABN AMRO Clearing Bank N.V. (UK) Branch		London, United Kingdom
International Card Services B.V. Branch Deutschland		Düsseldorf, Germany

[1] A statement of liability within the meaning of Article 403, subsection 1, paragraph f, Book 2 of the Dutch Civil Code has been issued for these companies.

The interest is 100%, unless otherwise stated.

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

Provisions of the Articles of Association concerning profit appropriation

The provisions regarding the reservation and distribution of profits are included in Article 31 of the Articles of Association. In accordance with the reserve and dividend policy and subject to the approval of the Supervisory Board, the Managing Board proposes to the General Meeting of Shareholders which part of the profit is to be reserved. The remainder of the profit shall be at the free disposal of the General Meeting of Shareholders, pursuant to a proposal to this end by the Management Board, subject to the approval of the Supervisory Board.

For prudency reasons ABN AMRO has adopted a temporary addition to the dividend policy which implies a temporary reduction of the dividend payout ratio. Pursuant to this temporary addition to the dividend policy, the targeted payout ratio will gradually increase again to a 40% payout ratio over the full-year 2015 net profit. ABN AMRO intends to make an interim dividend payment if the interim results of the respective year allow so. An interim dividend payment of EUR 125 million was paid on 20 November 2014.

Any distribution of dividend remains discretionary and deviations from the above policy may be proposed by the bank.

In accordance with Article 31.4 of the Articles of Association, the Managing Board proposes, subject to the approval of the Supervisory Board, to declare a final dividend of EUR 275 million on the shares for 2014.

As a result, the Managing Board proposes to the shareholder to pay out 35% (EUR 400 million) of the net reported profit of 2014 as dividend on the shares and add 65% of the net reported profit to the reserves.

Statutory financial statements of ABN AMRO Bank N.V. (unaudited)

Statutory financial statements of ABN AMRO Bank N.V.

Basis of preparation

These are the abbreviated statutory financial statements for the year 2014 of ABN AMRO Bank N.V.

ABN AMRO Bank N.V. is a wholly owned subsidiary of ABN AMRO Group N.V. ABN AMRO Group N.V. issued a so called 403 declaration in favour of ABN AMRO Bank N.V. Through the 403 declaration, ABN AMRO Group N.V. accepts joint and several liability for debts of ABN AMRO Bank N.V. arising from Legal acts.

ABN AMRO Bank N.V. is only required to publish statutory financial statements in an abbreviated format, containing as a minimum an abbreviated income statement and an abbreviated statement of financial position.

Subsidiaries of ABN AMRO Bank N.V. are not consolidated but recorded as participating interests in group companies in these abbreviated statutory financial statements.

The abbreviated statutory financial statements of ABN AMRO Bank N.V. are neither audited nor reviewed by an external auditor.

The presentation of certain terms used in the company statement of financial position, company statement of comprehensive income and company statement of changes in equity have been changed to provide more relevant information or to better align with the current period presentation. Among other things, new line items have been included on the statement of financial position for derivatives and securities financing. This change has no impact on total equity, total assets or net profit.

These abbreviated statutory financial statements are presented in euros (EUR), which is the presentation currency of ABN AMRO Bank N.V., rounded to the nearest million (unless otherwise stated).

Certain figures in this document may not tally exactly due to rounding.

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

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Company statement of comprehensive income ABN AMRO Bank N.V.

(in millions)	2014	2013	2012
Income:			
Share in result from participating interests, after taxation	1,065	800	999
Other operating result	133	479	196
Operating profit/(loss) before taxation	**1,198**	**1,279**	**1,195**
Income tax expense	65	117	42
Profit/(loss) for the period	**1,134**	**1,162**	**1,153**
Other comprehensive income	496	164	-3,151
Total comprehensive income	**1,630**	**1,326**	**-1,998**

Other operating result decreased EUR 346 million to EUR 133 million (2013: EUR 479 million, 2012: EUR 196 million). The main drivers for this decrease were the increase in regulatory charges and the effect of the change to the pension scheme from a defined benefit plan to a collective defined contribution (CDC) plan. This decrease was partly offset by increased net interest income as margins improved on retail deposits and the mortgage book.

Company statement of financial position ABN AMRO Bank N.V.

(before appropriation of profit)

(in millions)	31 December 2014	31 December 2013	31 December 2012
Assets			
Cash and balances at central banks	679	9,392	9,763
Financial assets held for trading	8,995	11,265	6,376
Derivatives	25,258	14,325	21,494
Financial investments	39,467	26,852	20,339
Securities financing	14,685	11,638	20,717
Loans and receivables - banks	189,814	193,081	189,465
Residential mortgages	7,230	6,798	12,058
Consumer loans	11,280	11,740	12,434
Commercial loans	146,200	146,810	154,067
Other loans and receivables - customers	1,981	765	1,518
Participating interest in group companies	5,790	5,092	5,653
Equity accounted investments	448	429	421
Property and equipment	858	881	952
Goodwill and other intangible assets	15	19	42
Tax assets	655	1,139	1,572
Other assets	706	1,088	1,897
Total assets	**454,062**	**441,314**	**458,771**
Liabilities			
Financial liabilities held for trading	3,738	4,383	3,696
Derivatives	30,408	17,183	27,592
Securities financing	16,559	13,297	19,384
Due to banks	108,832	107,101	111,616
Demand deposits	103,272	97,736	93,212
Saving deposits	86,711	85,762	79,452
Time deposits	15,106	17,242	23,908
Other due to customers	333	236	360
Issued debt	63,956	72,529	74,732
Subordinated liabilities	8,328	7,917	9,736
Provisions	634	1,003	1,321
Tax liabilities	48	33	37
Other liabilities	1,272	3,337	859
Total liabilities	**439,197**	**427,758**	**445,907**
Total equity	**14,865**	**13,555**	**12,864**
Total liabilities and equity	**454,062**	**441,314**	**458,771**

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Company statement of changes in equity ABN AMRO Bank N.V.

(in millions)	Share capital	Share premium reserve	Other reserves including retained earnings	Actuarial gains/(losses) on post-employee benefit plans	Currency translation reserve	Available-for-sale reserve	Cash flow hedge reserve	Reserve participa-tions	Total equity
Balance at 1 January 2012	**800**	**2,441**	**12,031**			**-314**	**-1,690**	**82**	**13,350**
Total comprehensive income			1,153	-3,284	-3	290	-183	29	-1,998
Dividend			-88						-88
Derecognition of the MCS liability		2,000							2,000
Settlement with ageas		-400							-400
Balance at 31 December 2012	**800**	**4,041**	**13,096**	**-3,284**	**-3**	**-24**	**-1,873**	**111**	**12,864**
Total comprehensive income			1,162	-215	2	50	406	-79	1,326
Dividend			-625						-625
Other changes in equity			-10						-10
Balance at 31 December 2013	**800**	**4,041**	**13,623**	**-3,499**	**-1**	**26**	**-1,467**	**32**	**13,555**
Total comprehensive income			1,134	-134	34	262	244	90	1,630
Dividend			-325						-325
Reclassification post-employment benefit plan[1]			-3,599	3,599					
Other changes in equity			5						5
Balance at 31 December 2014	**800**	**4,041**	**10,838**	**-34**	**33**	**288**	**-1,223**	**122**	**14,865**

1 Reclassification of EUR 3,599 million (EUR 4,799 million gross and EUR 1,200 tax) from Remeasurement gains/(losses) to Other reserves including retained earnings following the change of pension scheme.

Currency translation reserve, Available-for-sale reserve and Cash flow hedge reserve are non-distributable reserves. Reserve participation includes profits and other comprehensive income retained from participating interests and is a non-distributable reserve.

Legal reserves also includes a reserve for the positive revaluation of financial instruments through the income statement that are not traded on an active market, in accordance with Part 9, Book 2 of the Dutch Civil Code (BW 2, article 390(1)). If and to the extent that increases in the value of such assets must be included in a revaluation reserve, the net amount in unrealised changes in fair value as at December 2014, 2013 and 2012 did not give ABN AMRO Bank N.V. reason to form a revaluation reserve.

In order to establish freely distributable reserves as defined by the Dutch Civil Code, the negative revaluation reserve of available-for-sale instruments is taken into consideration.

Total comprehensive income include EUR 1,134 million profit for 2014.

A final dividend of EUR 200 million was paid out to ordinary shareholders bringing the total dividend regarding 2013 to EUR 350 million. An interim dividend of 125 million was paid to ordinary shareholders in November 2014.

ABN AMRO reached a negotiated result with the trade unions and the ABN AMRO Pension Fund on a new pension scheme for its employees in the Netherlands as part of the new collective labour agreement (CLA). The new pension scheme is a Collective Defined Contribution (CDC) Plan. This scheme will cover all existing and future pension obligations of ABN AMRO in the Netherlands.

The settlement resulted in a reclassification of EUR 3,599 million (EUR 4,799 million gross and EUR 1,200 million tax) from Remeasurement gains/ (losses) on post-retirement benefit plans to Other reserves including retained earnings.

Other

Provisions of the Articles of Association concerning profit appropriation

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Independent auditor's report

To: The General Meeting of Shareholders of ABN AMRO Bank N.V.

Report on the Audit of the consolidated annual financial statements 2014

Opinion

In our opinion the consolidated annual financial statements give a true and fair view of the financial position of ABN AMRO Bank N.V. as at 31 December 2014 and of its results and its cash flows for the year 2014 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code.

What we have audited

We have audited the accompanying consolidated annual financial statements 2014 of ABN AMRO Bank N.V. (the Bank).

The consolidated annual financial statements comprise:

- the consolidated statement of financial position as at 31 December 2014;
- the consolidated income statement;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- the notes comprising a summary of the significant accounting policies and other explanatory information.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our Responsibilities for the Audit of the consolidated annual financial statements' section of our report.
We are independent of ABN AMRO Bank N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA or Decree on the Code of Conduct for auditors in the Netherlands).
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Summary

We planned and executed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we directed our audit to those areas where management made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. Examples of this are the impairment for loan losses and valuations of financial instruments and non-financial instruments. We also addressed the risk of management override of internal controls, including an evaluation whether there was evidence of management bias that may represent a risk of material misstatement due to fraud.

The overall materiality on which we have planned and executed our audit amounts to EUR 50 million which represents 3.2% of operating profit before taxation for the year.

We conducted our audit at the head office and instructed local auditors to audit component locations in the Netherlands and all significant components outside the Netherlands, including New York, Frankfurt, Antwerp and Paris. We visited component locations in Chicago, Antwerp, Hong Kong, Singapore and Paris where we performed detailed file reviews. The audits have been performed by specialised financial services auditors experienced in the audit of banks.

Key audit matters

We identified the following key audit matters:

- estimation uncertainty with respect to impairment losses on loans and receivables;
- estimation uncertainty with respect to financial instruments measured at fair value;
- provisioning and contingent liabilities for claims and litigation;
- settlement of the pension plan in the Netherlands; and
- reliability and continuity of the information technology and systems.

Materiality

Misstatements can arise from fraud or error and will be considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated annual financial statements. We determined certain quantitative thresholds for materiality. These together with qualitative considerations helped us to determine the nature, timing and extent of our audit procedures and the evaluation of the impact of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the consolidated annual financial statements for the Bank as a whole at EUR 50 million, with reference to a primary benchmark of operating profit before taxation 3.2%. We have applied this benchmark based on our assessment of the general information needs of users of the consolidated annual financial statements. We believe that operating profit before tax is a relevant metric for assessment of the financial performance of the Bank. Given the relatively high balance sheet total and gross income, we have not taken these alternative benchmarks into consideration.

Our audits of the components were performed in most instances to materiality levels based on the local statutory accounts which are considerably lower than the materiality for the consolidated annual financial statements as a whole. In the other cases, based on our judgement we set the materiality for the audits at components at levels that we deemed appropriate for the circumstances with a maximum of EUR 37.5 million, having regard to the materiality for the consolidated annual financial statements for the group as a whole and the reporting structure within the Bank.

We agreed with the Supervisory Board that all unadjusted misstatements in excess of EUR 2 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

ABN AMRO Bank N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated annual financial statements of ABN AMRO Bank N.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the Bank audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities.

We scoped components of ABN AMRO Bank N.V. into the group audit where they are of significant size, have significant risks to the Bank or are considered significant for other reasons. Where this does not give adequate coverage we used our judgment to scope-in additional components.

Applying these scoping criteria led to a full scope audit for 63 components, in total covering 6 countries. This resulted in coverage of 79.5% of profit before taxation and 87.6% of total assets. The remaining 20.5% of profit before taxation and 12.4% of total assets results from a significant number of components, none of which individually represented more than 3% of profit before taxation or total assets. For these remaining components, we performed specified audit procedures on significant risk areas such as legal claims and the tax position. Furthermore, we performed analytical procedures at the aggregated group level on the remaining components in order to corroborate our assessment that there are no significant risks of material misstatement within these remaining components.

All components in scope for group reporting are audited by KPMG member firms. We sent detailed instructions to all component auditors, covering significant areas including the relevant risks of material misstatement and set out the information required to be reported back to the group audit team. We visited component locations in Chicago, Antwerp, Hong Kong, Singapore and Paris where we performed detailed file reviews. Conference call and/or physical meetings were also held with the auditors of these components as well as the components in the Netherlands, Frankfurt, New York and Luxembourg and other components that were not physically visited. At these visits, meetings and calls, the planning, risk assessment, procedures performed, findings and observations reported to the group auditor were discussed in more detail and any further work deemed necessary by the group audit team was then performed.

The consolidation of the group, the disclosures in the consolidated annual financial statements and certain accounting topics that are performed at group level are audited by the group audit team. The accounting matters on which audit procedures are performed by the group audit team include, but are not limited to, assessment of the use of the going concern assumption, goodwill impairment testing, equity, group financing, corporate income tax for the Dutch fiscal unity, employee benefits and claims and litigations.

By performing the procedures above at components, together with additional procedures at group level, we have obtained sufficient and appropriate audit evidence about the Group's financial information to provide an opinion on the consolidated annual financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit on the consolidated annual financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters.

Estimation uncertainty with respect to impairment losses on loans and receivables

Certain aspects of the accounting for loan loss impairments require significant judgment, such as the identification of loans that are deteriorating, the assessment of objective evidence for impairment, the value of collateral and the assessment of the recoverable amount. We have therefore identified loan loss impairments as a key audit matter.

Our audit response

Audit procedures included, among others, a comprehensive testing of the Bank's credit management and credit monitoring procedures including the internal controls related to the timely recognition and measurement of impairments for loan losses, including loans that have been renegotiated and/or forborne. We examined a selection of individual loan exposures in detail, and challenged management's assessment of the recoverable amount. We applied professional judgment in selecting the loan exposures for our detailed inspection with an emphasis on exposures in sectors that pose an increased uncertainty for recovery in the current market circumstances, for example commercial real estate exposures, retail exposures and exposures to medium sized businesses. Our examination of specific loan files included exposures managed by the financial recovery and restructuring department. We also tested the sufficiency of the models, assumptions and data used by the Bank to measure loan loss impairments for portfolios of loans with similar credit characteristics, such as the Dutch mortgage portfolio and consumer loans. For that purpose we included credit valuation specialists in our audit team. Likewise we have tested the models, assumptions and data used by the Bank for the collective impairment for incurred but not identified loan losses, including the appropriateness of the respective loss identification period that is used in these models.

In October 2014, the European Central Bank informed the Bank of the outcome of the Asset Quality Review and Stress Test as performed under the Single Supervisory Mechanism on the exposures reported by the Bank as at 31 December 2013. The Report of the Managing Board provides on page 129 details how the Bank has given follow up to the Asset Quality Review and the impact of it on this year's financial statements. We have considered the outcome of the Asset Quality Review and the follow up given by the Bank as part of our audit. We have investigated the adjustments made and tested the appropriateness against the Bank's accounting policies and the requirements of EU-IFRS. We furthermore focused on the adequacy of the audited risk disclosures in the Report of the Managing Board which form part of the notes.

Our observation

Overall we assess that the assumptions used by management and related estimates resulted in a cautious valuation of loans and receivables after deduction of loan loss impairments and concur with the related disclosures in the consolidated annual financial statements.

Estimation uncertainty with respect to financial instruments measured at fair value

The financial instruments that are measured at fair value are significant for the consolidated annual financial statements of a bank, such as derivatives, trading positions and available for sale investments. For financial instruments that are actively traded and for which quoted market prices or market parameters are available, there is high objectivity in the determination of fair values (level 1 valuation). However, when observable market prices or market parameters are not available the fair value is subject to estimation uncertainty as significant judgment is applied to estimate fair value. Fair value of financial instruments has therefore been identified as a key audit matter.

Our audit response

As part of our audit we have tested the level 1 fair valuations by comparing the fair values applied by the Bank with publicly available market data. For all level 2 and level 3 valuations we tested the appropriateness of the models used by the Bank and the reliability of the data that was used as input to these models. As referred to in note 17, the Bank has included a Funding Value Adjustment for the first time this year in determining the fair value of non-collateralised derivatives, to better reflect a market based pricing for these instruments. In testing all fair values we have placed specific emphasis on the appropriate application of Funding Value, Credit Value and Debit Value Adjustments that form an integral part of fair values. For that reason we included valuation specialists in our audit team. We furthermore focused on the adequacy of the fair value disclosures in note 17 and 20.

Our observation

Overall we assess that the assumptions used by management and related estimates resulted in appropriate valuations and disclosures of financial instruments at fair value.

Provisioning and contingent liabilities for claims and litigation

The Bank is involved in a number of legal proceedings in the ordinary course of business as set out in Note 32. In preparing the consolidated annual financial statements management performs an assessment of all legal matters to determine as to whether these require the recognition of a provision or need disclosure as contingent liability in the consolidated annual financial statements. This assessment requires significant judgement and has therefore been identified as a key audit matter. Provisions are recognised for legal obligations arising from past events, if there is a probable outflow of resources and the amount can be reliably estimated. Contingent liabilities are not recognised, but disclosed in the notes.

Our audit response

We have assessed the process for identification and internal assessment of legal claims and litigation, including claims and litigations related to for example Madoff, mandatory convertible securities and SME derivatives. We examined various internal and external documentation, including documentation of legal claims and had discussions with management and external legal advisors of the Bank. In addition we assessed the accounting treatment of claims and litigation against the requirements of EU-IFRS as set out above.

Our observation

Overall we concur with the level of provisioning for legal claims and with the disclosure of the contingent liabilities for claims and litigation in the consolidated annual financial statements.

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Settlement of the pension plan in the Netherlands

As at 12 June 2014, the Bank reached a settlement of its pension plan in the Netherlands with all parties involved resulting in settlement of the defined benefit plan as described and disclosed in note 28. As the accounting for the settlement of the pension plan is complex and requires significant judgement we identified this as a key audit matter.

Our audit response

Given the significance of this pension settlement to the consolidated annual financial statements as a whole, we performed a detailed investigation of the available documentation with respect to the settlement. This documentation included among others the revised pension contract and detailed information about the fair value of plan assets at settlement date. We also reviewed and discussed the audit performed by the external auditor of the pension fund on the fair value of plan assets at settlement date and an assessment of the actuarial report as prepared by the external actuary of the Bank. In performing our procedures and assessments we included a specialist pension actuary in our team.

Our observation

The settlement of the plan is appropriately reflected in the consolidated annual financial statements.

Reliability and continuity of the information technology and systems

The Bank is heavily dependent on its IT-infrastructure for the continuity of its operations. The Bank makes significant investments in its IT systems and –processes as it is continuously improving the efficiency and effectiveness of the IT-infrastructure and the reliability and continuity of the electronic data processing. For example to remediate identified weaknesses and inefficiencies and to accommodate the ongoing regulatory changes imposed on the banking industry like CRD IV/CRR. We have therefore identified this as a key audit matter.

Our audit response

We have assessed the reliability and continuity of the electronic data processing, as far as necessary within the scope of our audit. For that purpose we included IT-auditors in our audit team. Our procedures included the assessment of developments in the IT-domain and testing of the relevant internal controls with respect to IT-systems and -processes. We have also assessed the increasing initiatives and processes of the Bank to fight cybercrime.

Our observation

In our management letter we provided recommendations for further enhancements to the IT-controls and data quality initiatives. Reference is made to page 232 of the Supervisory Board Report and page 237 of the Audit Committee Report.

Responsibilities of the Managing Board and the Supervisory Board for the consolidated annual financial statements

The Managing Board is responsible for:

- the preparation and fair presentation of the consolidated annual financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Managing Board Report in accordance with Part 9 of Book 2 of the Netherlands Civil Code; and
- such internal control as the Managing Board determines is necessary to enable the preparation of consolidated annual financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the consolidated annual financial statements, the Managing Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the consolidated annual financial statements using the going concern basis of accounting unless the Managing Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Managing Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the consolidated annual financial statements.

The Supervisory Board is responsible for overseeing the Bank's financial reporting process.

Our Responsibilities for the Audit of the consolidated annual financial statements

Our objective is to plan and perform the audit to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and frauds. For a further description of our responsibilities in respect of an audit of consolidated annual financial statements in general, we refer to the website of the professional body for accountants in the Netherlands (NBA) www.nba.nl/Site/English/Standard-texts-auditors-report/.

Report on Other Legal and Regulatory Requirements

Report on the Managing Board report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the Managing Board report and other information):

- We have no deficiencies to report as a result of our examination whether the Managing Board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed.
- We report that the Managing Board report, to the extent we can assess, is consistent with the financial statements.

Engagement

We have been auditor of ABN AMRO Bank N.V. since 2010. We were re-appointed as auditor of ABN AMRO Bank N.V. for the financial years 2013 and 2014 by the Special General Meeting of Shareholders of 18 December 2012.

Amstelveen, 10 April 2015

KPMG Accountants N.V.
D. Korf RA

definitions of important terms

ABN AMRO or ABN AMRO Bank
ABN AMRO Bank N.V. (formerly known as 'ABN AMRO II N.V.') incorporated on 9 April 2009 ('ABN AMRO Bank') and its consolidated subsidiaries.

ABN AMRO Group
ABN AMRO Group N.V. incorporated on 18 December 2009 ('ABN AMRO Group' or 'the Group') and its consolidated subsidiaries.

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

Absolute sensitivity
The absolute sensitivity adds up the different positions on the yield curve, regardless of whether they are positive or negative. It measures the absolute interest rate position.

Advanced Internal Ratings Based (AIRB)
The highest and most detailed level of credit risk calculation for determining capital adequacy levels under Basel II, based on the use of internal models to assess risk.

Advanced Measurement Approach (AMA)
The highest and most detailed level of operational risk calculation for determining capital adequacy levels under Basel II, based on the use of internal models to assess risk.

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

Asset-based lending
Asset-based lending is any kind of lending secured by an asset.

Asset Quality Review (AQR)
Extensive review of asset quality performed by the ECB as part of a comprehensive assessment.

Assets under Management (AuM)
Assets, including investment funds and assets of private individuals and institutions, which are professionally managed with the aim of maximising the investment result.

Basel I
The Basel Capital Accord is the 1988 agreement among the G10 central banks to apply common minimum capital standards to the banking industry.

Basel II
The Basel II Framework offers a new set of standards for establishing minimum capital requirements for banks. It was prepared by the Basel Committee on Banking Supervision.

Basel III
The third set of Basel accords, which was developed in response to the financial crisis of the late 2000's. The Basel III standards include higher and better-quality capital, better risk coverage and the introduction of a maximum leverage ratio.

Basis point (bp)
One hundredth of 1 percentage point.

Capital adequacy
Measure of a company's financial strength, often expressed in equity as a percentage of balance sheet total or – for banks – in the BIS ratio.

Capital markets products
Sales and distribution of primary equity and debt capital markets products and making a market in long-term and short-term debt.

Cash and balances at central banks
This item includes all cash and only credit balances with central banks that are available on demand.

Certificate of deposit (CD)
Certificate of deposit is an unsecured short-term funding instrument with maturities up to one year.

Clearing
Refers to the clearing businesses of ABN AMRO.

Commercial paper (CP)
Commercial paper is an unsecured short-term funding instrument with maturities up to one year.

Consortium
Refers to The Royal Bank of Scotland Group plc ('RBS Group'), Ageas and Banco Santander S.A. ('Santander'), which jointly acquired ABN AMRO Holding on 17 October 2007 through RFS Holdings B.V. ('RFS Holdings').
On 3 October 2008 the State of the Netherlands became the successor of Ageas.

Core Tier 1 ratio
The bank's core capital, excluding preference shares, expressed as a percentage of total risk exposure amount.

Cost of risk
The cost of risk is defined as annualised impairment charges on loans and other receivables divided by average Loans and receivables customers.

Counterparty valuation adjustment
Market value adjustment for counterparty credit risk.

Country risk
Country risk is part of credit risk and is defined as the risk of losses due to country-specific events or circumstances (political, social, economic) relevant for credit exposures that are cross-border in nature.

Coverage ratio
The coverage ratio shows to which extent the impaired exposures are covered by impairment allowances for identified credit risk.

Credit equivalent
Sum of the costs of replacement transactions (when counterparties fail to fulfil their obligations) and the potential future credit risk, reflected in a mark-up percentage on the principal of the contract. The mark-up percentage depends on the nature and remaining term of the contract.

Covered bonds
Covered bonds (CB) are secured long-term funding instruments. This type of bond differs from a standard bond by recourse to a pool of assets. In a default event, the bondholder has recourse to the issuer and this pool of assets.

Credit rating
Assessment of a credit rating agency expressed in a combination of letters and/or figures indicating the creditworthiness of a country, company or institution.

Credit risk
Credit risk is the risk of a financial loss that occurs if a client or counterparty fails to meet the terms of a contract or otherwise fails to perform as agreed.

Credit Umbrella
Financial guarantee covering part of the potential credit losses on the portfolio that existed at the time of closing the sale under the EC Remedy.

Credit valuation adjustments
Market value adjustments for counterparty credit risk.

Customer Excellence
A new way of working being implemented at ABN AMRO, which is based on lean management principles.

Defaulted exposures
Exposures for which there are indicators that a counterparty may not be able to meet its contractual obligations and/or when an exposure is more than 90 days past due.

Derivatives
Financial instruments whose value is derived from the price of one or several underlying assets (e.g. currencies, securities, indices).

Duration of equity
Duration of equity indicates the sensitivity of the market value of equity to a 1% parallel change in the yield curve. The targeted interest risk profile results in a limit of the duration of equity between 0 and 7 years.

Dutch State
Refers to the State of the Netherlands.

Dutch State-acquired businesses
Refers to the businesses of ABN AMRO Holding acquired by the Dutch State.

Economic capital
An estimate of the amount of capital that the bank should possess in order to be able to sustain larger-than-expected losses with a given level of certainty.

Economic profit
Net profit after tax less risk-adjusted cost of capital.

Economic value
The value of future economic profits discounted to the present.

EC Remedy
The divestment of the EC Remedy Businesses by ABN AMRO Bank Standalone in order to satisfy the conditions imposed by the European Commission for approval of the integration of FBN with ABN AMRO Bank Standalone through the Legal Merger. The EC Remedy Businesses consists of New HBU II N.V. and IFN Finance B.V.

EC Remedy Businesses
Refers to New HBU II N.V. and IFN Finance B.V.

Encumbered assets
Assets that were pledged or subject to an arrangement, either explicitly or implicitly, in any way to secure, collateralise or credit enhance a transaction.

Exposure at Default (EAD)
EAD models estimate the expected exposure at the time of a counterparty default.

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

Financing products
Solutions regarding (securities) financing, liquidity, risk and collateral (e.g. securities borrowing and lending, stock borrowing, stock lending, repo and total return swaps)

Goodwill
The difference between the purchase price of a participation and the fair value of the individual net assets and liabilities.

Hedge
Protecting a financial position by going either long or short, often using derivatives.

Household
In Retail Banking, products and services are primarily administered by family/cohabitation cluster, which is called a financial household.

Impaired exposures
Exposures for which not all contractual cash flows are expected and/or exposures more than 90 days past due for which impairments are determined on a portfolio basis.

Impaired ratio
The impaired ratio shows which fraction of the gross carrying amount of a financial asset category consists of impaired exposures.

Impaired EAD ratio
The impaired EAD ratio shows which fraction of an EAD category consists of impaired exposures.

Impairment charges on loans and other receivables
Charge to the income statement to cover possible loan losses on non-performing loans.

International Financial Reporting Standards (IFRS)
IFRS, formerly known as International Accounting Standards, are drawn up and recommended by the International Accounting Standards Board. The European Union requires that IFRS be used by all exchange-listed companies in the EU starting from the financial year 2005.

Investment products
Providing equity brokerage and research services to investors and primary equity services to companies (i.e. equity research, cash equities, government bonds and credit bonds)

IPO
The possible initial public offering of ABN AMRO Group N.V.

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

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

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

Liquidity coverage ratio (LCR)
The LCR is intended to promote resilience to potential liquidity disruptions over a thirty-day horizon. The LCR requires banks to hold sufficient highly-liquid assets equal to or greater than the net cash outflow during a thirty-day period.

Loan impairment allowance
Balance sheet allowance held against non-performing loans.

Market risk (banking book)
Market risk in the banking book, mainly interest rate risk, is the risk of yield curve development that is unfavourable for the bank. Other market risks are limited in the banking book either through hedging (foreign rate exchange risk) or in general (other market risk types).

Market risk (trading book)
Market risk in the trading book is the risk of loss resulting from unfavourable market price movements which can arise from trading or holding positions in financial instruments in the trading book.

Medium-term notes (MTN)
Medium-term notes are unsecured funding instruments with maturities up to ten years issued in several currencies.

Mergers & Acquisitions (M&A)
Activities in the fields of mergers, acquisitions, privatisations, advisory services and organisations.

Mismatch result
Interest rate mismatch is the difference in interest maturity between funds lent and funds borrowed.

Net Stable Funding Ratio (NSFR)
The objective of the NSFR is to promote resilience over a longer time horizon by creating additional incentives to fund activities with more stable sources of funding on an ongoing basis.

NII-at-Risk
The NII-at-Risk metric indicates the change in net interest income during the coming 12 months, comparing the NII calculated using a constant yield curve with the NII calculated using a yield curve that is gradually shifted to a total of 200 basis points. The net interest income is negatively impacted when rates rise.

NLFI
Stichting administratiekantoor beheer financiële instellingen (NL Financial Investments (foundation)). On 29 September 2011 the Dutch State transferred its shares in ABN AMRO Group N.V. and in ABN AMRO Preferred Investments B.V. to NLFI. NLFI was set up as a means to avoid potential conflicting responsibilities that the Minister of Finance might otherwise face, as a shareholder and as a regulator, and to avoid political influence being exerted.

Notional amounts
The value of the principal of the underlying financial derivatives contracts.

Operational risk
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events.

Options (shares and currencies)
Contractual right to buy (call option) or sell (put option) a specified amount of underlying shares or currency at a fixed price during a specified period or on a specified date.

Past due exposure
A financial asset is past due if a counterparty has failed to make a payment when contractually due, if it has exceeded an advised limit or if it has been advised of a limit lower than its current outstanding.

Past due ratio
The past due ratio shows which fraction of the gross carrying amount of a financial asset category is past due but not impaired.

Preference share
Share that receives a fixed rate of dividend prior to ordinary shares.

Qualifying revolving exposures
Qualifying revolving exposures are revolving, unsecured, and uncommitted exposures to private individuals that meet additional criteria specified in the CRD. These outstanding balances are permitted to fluctuate based on their decisions to borrow and repay, up to a limit established by the bank.

RARORAC
A combination of two other measures: risk-adjusted return on capital (RAROC) and return on risk-adjusted capital (RORAC).

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

Regulatory capital adequacy
Measure of a bank's financial strength, often expressed in risk-bearing capital as a percentage of total risk exposure amount.

Regulatory liquidity requirement
The regulatory liquidity requirement measures the one-month liquidity position in the scenario of a severe and short stress as defined by DNB. It requires the one-month liquidity position to exceed the minimum required regulatory level of zero.

Repo
A repo, also known as a repurchase agreement, is the sale of securities together with an agreement for the seller to buy back the securities at a later date.

Residential mortgage backed securities (RMBS)
Residential mortgage backed securities are secured long-term funding instruments. A pool of underlying assets, in this case own-originated residential mortgages, provides the cash flows to bondholders.

Return on equity (ROE)
Net profit attributable to ordinary shareholders of the parent company divided by shareholders' equity.

Risk exposure amount (REA)
Total assets and off-balance sheet items calculated on the basis of the risks relating to the various balance sheet items.

Risk management products
Products and strategic advice to manage the risk exposure of clients (e.g. solutions to hedge foreign exchange and interest rates risks and various types of capital markets solutions for ECT clients such as commodity derivatives).

Saving certificates
Saving certificates are non-exchange traded instruments with an annual coupon payment and have the same characteristics as bonds.

Savings mortgages
Savings mortgages are mortgages with a separate savings account whereby the balance of savings is used for redemption of the principal at maturity.

Securities financing transaction (also referred to as 'professional securities transaction')
A transaction whereby securities are temporarily transferred from a lender to a borrower, with the commitment to re-deliver the securities.

Securitisation
Restructuring credits in the form of marketable securities.

Standardised Approach (Basel II)
The standardised approach for credit risk measures credit risk in a standardised manner, supported by external credit assessments.

Stress testing
Method of testing the stability of a system or entity when exposed to exceptional conditions.

Structured finance

Global activity aimed at the extension of credits in specialised product/market combinations, development and marketing of complex financial solutions, export financing of capital goods and large-scale project finance.

Survival period

The survival period indicates for what period ABN AMRO's liquidity position will remain positive in a situation where stress is observed in wholesale funding markets, but funds attracted through retail and commercial clients remain stable.

Three lines of defence

ABN AMRO's approach to risk management.

Tier 1 ratio

Tier 1 capital of the bank expressed as a percentage of total risk-weighted assets.

Uniform Counterparty Rating (UCR)

The UCR is an obligor rating and refers to the probability of default by an obligor, i.e. the likelihood that a counterparty fails to pay interest and/or principal and/or other financial obligations to the bank.

Value-at-Risk banking book

Value-at-Risk banking book (VaR banking book) is used as a statistical measure for assessing interest risk exposure. It estimates potential losses and is defined as the predicted maximum loss that might be caused by changes in risk factors under normal circumstances, over a specified period of time, and at a specified level of statistical confidence. A VaR for changes in the interest rate for the banking book is calculated at a 99% confidence level and a two-month holding period.

Volatility

Statistical measure for the degree to which items (market rates, interests) fluctuate over time.

403-Declaration

Section 2:403 of the Dutch Civil Code, which states that companies part of a consolidating group entity may publish limited annual accounts if the parent company, among other things, assumes joint and several liability for all liabilities of the group company.

abbreviations

AACB	ABN AMRO Clearing Bank
AAHG	ABN AMRO Hypotheken Groep
AFM	Autoriteit Financiële Markten (Netherlands Authority for the Financial Markets)
AFS	Annual Financial Statements
AIRB	Advanced Internal Ratings Based (Approach)
ALCO	(ABN AMRO's) Asset & Liability Committee
ALM	Asset & Liability Management
AMA	Advanced Measurement Approach
AQR	Asset Quality Review
AuM	Assets under Management
BIS	Bank for International Settlements
BLMIS	Bernard L Madoff Investment Securities
bn	Billion
bp(s)	Basis point(s)
BRRD	Bank Recovery and Resolution Directive
CAO	Collectieve Arbeidsovereenkomst (collective labour agreement)
CAF	Cycle Adjustment Factor
CBS	Centraal Bureau voor de Statistiek (Statistics Netherlands)
CCC	(ABN AMRO's) Central Credit Committee
CD	Certificate of Deposit
CDO	Collateralised Debt Obligation
CDS	Credit Default Swap
CE	Customer Excellence
CEBS	Committee of European Banking Supervisors
CET1	Common Equity Tier 1
CFO	Chief Financial Officer
CFP	Contingency Funding Plan
CGU	Cash-Generating Units
CHF	Swiss Franc
CP	Commercial Paper
CRD	(the EU's) Capital Requirements Directive
CRE	Commercial Real Estate
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CVA	Credit Value Adjustment
DGS	Deposit Guarantee Scheme
DNB	De Nederlandsche Bank N.V. (Dutch Central Bank)
DSTA	Dutch State Treasury Agency
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability
DVA	Debit Value Adjustment
EAD	Exposure At Default
EBA	European Banking Authority
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EC	Economic Capital
ECAI	External credit assessment institutions
ECB	European Central Bank
ECQA	EC Quality Assessment
ECT	(ABN AMRO's) Energy, Commodities & Transportation
EDTF	Enhanced Disclosure Task Force
EMIR	European Market Infrastructure Regulation
EU	European Union
EUR	Euro
EVCA	European Private Equity and Venture Capitalist Association
FATCA	Foreign Account Tax Compliance Act
FBN	Fortis Bank Nederland
FCCM	Financial Collateral Comprehensive Method
Fed	Federal Reserve
FR&R	(ABN AMRO's) Financial Restructuring & Recovery
FTE	Full-Time Equivalent (a measurement of number of staff)
FX	Foreign exchange
FVA	Funding Valuation Adjustment
GBP	British pound
GDP	Gross Domestic Product
GfK	Gesellschaft für Konsumforschung (Society for Consumer Research)
GRC	(ABN AMRO's) Group Risk Committee
HR	Human Resources
HRM	Human Resource Management
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBNI	Incurred But Not Identified
ICAAP	Internal Capital Adequacy Assessment Process
ICS	International Card Services
ICB	Industry Classification Benchmark
ID&JG	(ABN AMRO's) International Diamond & Jewelry Group
IFRS	International Financial Reporting Standards
IMA	Internal Models Approach

INSEAD	Institut Européen d'Administration des Affaires (European Institute of Business Administration)
INSID	Institute for Sustainable Innovation and Development
IPO	Initial Public Offering
IRB	Internal Ratings-Based (Approach)
IRC	Incremental Risk Charge
ISO	Information Security Office
IT	Information Technology
KPI	Key Performance Indicator
LAD	Loss at Default
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LIP	Loss Identification Period
LtD	Loan-to-Deposit (ratio)
LtMV	Loan-to-Market-Value
M	Million
M&A	Mergers & Acquisitions
MCI	Maas Capital Investment B.V.
MCS	Mandatory Convertible Securities
MiFID	(the EU's) Markets in Financial Instruments Directive
MiFIR	(the EU's) Markets in Financial Instruments Regulation
MtM	Mark-to-Market
NHG	Nationale Hypotheek Garantie (Dutch State-guaranteed mortgages)
NII Net	Interest Income
NLFI	NL Financial Investments (foundation)
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
OECD	Organisation for Economic Co-operation and Development
OOE	One Obligor Exposure
OTC	Over-The-Counter
PD	Probability of Default
PR&I	People, Regulations & Identity
QoQ	Quarter-on-quarter
RAROC	Risk-Adjusted Return On Capital
RARORAC	Risk-Adjusted Return On Risk-Adjusted Capital
RBA	Ratings-Based Approach
RBB	Regeling Beheerst Beloningsbeleid Wft 2011 (Regulation on Sound Remuneration Policies Pursuant to the Financial Supervisor Act 2011)
RBS	The Royal Bank of Scotland plc
REA	Risk exposure amount
RMBS	Residential Mortgage-Backed Security
RM&S	(ABN AMRO's) Risk Management & Strategy
ROE	Return on Equity
RWA	Risk-Weighted Assets
SA	Standardised Approach
SEC	Securities and Exchange Commission
SGD	Singapore dollar
SiFi	Systematically important Financial institution
SMEs	Small and Medium-sized Enterprises
SPE	Special Purpose Entity
SPV	Special Purpose Vehicle
SRM	Single Resolution Mechanism
SSM	Single Supervisory Mechanism
SWOT	Strengths, Weaknesses, Opportunities and Threats
TLTRO	Targeted Long Term Refinancing Operations
TOPS	(ABN AMRO's) Technology, Operations & Property Services
UCR	Uniform Counterparty Rating
USD	US dollar
VaR	Value-at-Risk
VBDO	Vereniging van Beleggers voor Duurzame Ontwikkeling
WSW	Waarborgfonds Sociale Woningbouw
YE	Year-end

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Information on our websites does not form part of this Annual Report, unless expressly stated otherwise.

cautionary statements

The Bank has included in this Annual Report, and from time to time may make certain statements in its public filings, press releases or other public statements that may constitute "forward-looking statements" within the meaning of the safe-harbour provisions of the United States Private Securities Litigation Reform Act of 1995. This includes, without limitation, such statements that include the words "expect", "estimate", "project", "anticipate", "should", "intend", "plan", "aim", "desire", "strive", probability", "risk", "Value at Risk" ("VaR"), "target", "goal", "objective", "will", "endeavour", "outlook", "optimistic", "prospects" and similar expressions or variations on such expressions. In particular, this document includes forward-looking statements relating, but not limited, to ABN AMRO's potential exposures to various types of operational, credit and market risk, such as counterparty risk, interest rate risk, foreign exchange rate risk and commodity and equity price risk. Such statements are subject to risks and uncertainties. These forward-looking statements are not historical facts and represent only ABN AMRO's beliefs regarding future events, many of which by their nature are inherently uncertain and beyond the bank's control.

Other factors that could cause actual results to differ materially from those anticipated by the forward-looking statements contained in this document include, but are not limited to:

- The extent and nature of future developments and continued volatility in the credit and financial markets and their impact on the financial industry in general and ABN AMRO in particular;
- The effect on ABN AMRO's capital of write-downs in respect of credit exposures;
- Risks related to ABN AMRO's merger, separation and integration process;
- General economic, social and political conditions in the Netherlands and in other countries in which ABN AMRO has significant business activities, investments or other exposures, including the impact of recessionary economic conditions on ABN AMRO's performance, liquidity and financial position;
- Macroeconomic and geopolitical risks;
- Reductions in ABN AMRO's credit ratings;
- Actions taken by the EC, governments and their agencies to support individual banks and the banking system;
- Monetary and interest rate policies of the ECB and G20 central banks;
- Inflation or deflation;
- Unanticipated turbulence in interest rates, foreign currency exchange rates, commodity prices and equity prices;
- Liquidity risks and related market risk losses;
- Potential losses associated with an increase in the level of substandard loans or non-performance by counterparties to other types of financial instruments, including systemic risk;
- Changes in Dutch and foreign laws, regulations, policies and taxes;
- Changes in competition and pricing environments;
- Inability to hedge certain risks economically;
- Adequacy of loss reserves and impairment allowances;
- Technological changes;
- Changes in consumer spending, investment and saving habits;
- Effective capital and liquidity management;
- The success of ABN AMRO in managing the risks involved in the foregoing.

The forward-looking statements made in this Annual Report are only applicable as from the date of publication of this document. ABN AMRO does not intend to publicly update or revise these forward-looking statements to reflect events or circumstances after the date of this report, and ABN AMRO does not assume any responsibility to do so. The reader should, however, take into account any further disclosures of a forward-looking nature that ABN AMRO may make in ABN AMRO's interim reports.

ABN·AMRO