ABN AMRO Group reports second quarter and half year 2009 financial results

Second quarter 2009 update

ABN AMRO Group has recorded a loss after tax of EUR 1,761 million for the second quarter 2009 bringing the half year loss after tax to EUR 2,647 million. The Group's second quarter 2009 profit from continuing operations has deteriorated compared to the first quarter 2009 due to increased loan impairments in the Dutch State acquired businesses and increased losses in the RBS acquired businesses resulting from tightening of credit spreads and increased loan loss provisions.

In the second quarter a loss after tax of EUR 1,857 million from continuing operations was offset by a gain after tax on discontinued operations of EUR 96 million. The Group's total loss after taxes comprises a loss after tax of EUR 1,835 million attributable to the Royal Bank of Scotland Group plc (RBS) acquired businesses, a loss of EUR 10 million attributable to the Dutch State acquired businesses, a loss of EUR 12 million attributable to the Group's Central Items.

The Group's half year results are modestly positive for the Dutch State acquired businesses with EUR 77 million and include furthermore a loss after tax of EUR 2,763 million attributable to the RBS acquired businesses and a loss after tax of EUR 60 million for Central Items.

A gain of EUR 96 million attributable to Banco Santander S.A. (Santander's) remaining acquired businesses in ABN AMRO Group is reported as profit from discontinued operations in the second quarter and EUR 99 million for the half year.

An overview of the results and financial position of the Dutch State acquired businesses is included in Appendix I and a summary of the Group results and financial position in Appendix II of this release. The results of the RBS acquired businesses are not meaningful on a standalone basis due to transfer of certain assets to, coupled with new business now being written in RBS. For further information regarding the results of the RBS acquired businesses, please refer to the RBS 30 June 2009 Interim Results published on 7 August 2009 and available on the RBS website (www.RBS.com).

For further information regarding the ABN AMRO Holding N.V. 30 June 2009 Interim Results, we refer to our Interim Financial Report available on the ABN AMRO website (www.ABNAMRO.com).

Capital, liquidity and funding

ABN AMRO Group continues to be well funded and capitalised. At 30 June 2009, the Group's tier 1 ratio was 13.3% (31 December 2008: 10.9%) and the total capital ratio was 17.9% (31 December 2008: 14.4%). This reflects a reduction in risk weighted assets in the first half year 2009 and a EUR 3 billion capital injection by its parent company RFS Holdings B.V. Our capital ratios continue to exceed the minimum tier 1 and total capital ratios of 9% and 12.5% respectively set by the Dutch Central Bank during the separation period of ABN AMRO Group. ABN AMRO Group continues to comfortably exceed the regulatory liquidity requirements.

On 31 July ABN AMRO has issued a EUR 800 million Mandatory Convertible Tier-1 Security (MCS) that was acquired by the Ministry of Finance. Also on that date a Credit Default Swap (CDS) agreement was signed with a start date of no later than 31 August 2009. Through this arrangement ABN AMRO Bank N.V. will purchase credit protection on a EUR 34.5 billion portfolio of own originated residential mortgages.

On 6 July 2009 ABN AMRO Group successfully issued a five-year EUR 2 billion Covered Bond. The issuance enjoyed a healthy demand from investors thus demonstrating the funding capabilities of the Bank. This program is now also registered with the Dutch Central Bank. By the registration as a programme governed by the Dutch Covered Bond law, the programme complies with all requirements.

Update on separation

Update on Separation activity

RBS and the Dutch State continue to work towards the legal separation of the Dutch State acquired businesses from the residual RBS acquired businesses into two separate banks and additionally with Santander on the settlement of the Consortium shareholder agreement. Important and critical milestones relating to the legal demerger and subsequent separation have recently been reached as we move towards legal separation. This includes the completion of a major part of the technical separation of ABN AMRO's banking and payments operating systems and processes. Legal demerger, previously referred to as the legal segregation, will occur upon transfer of the Dutch State acquired businesses out of ABN AMRO Bank N.V., the demerging entity, into a separate legal entity ABN AMRO II N.V., a fully owned subsidiary of ABN AMRO Holding N.V., that was incorporated and registered with the Dutch Chamber of Commerce earlier in 2009. Legal separation out of the ABN AMRO

Group will occur when ABN AMRO II N.V. is separated from ABN AMRO Group and functions as a new independent bank. This is aimed to be achieved by the end of this year.

Constituting a pivotal step in the demerger process, ABN AMRO Bank N.V. plans to file legal demerger documentation with the Dutch Chamber of Commerce in September 2009. For further information we also refer to Appendix III. As part of the restructuring process, the Dutch State acquired businesses and activities are being transferred into the newly formed entity ABN AMRO II N.V., subject to Dutch Central Bank approval. Subsequent to the transfer of selected entities into ABN AMRO II N.V. and completion of a demerger according to Dutch law of assets and liabilities to this entity, ABN AMRO II N.V. will be renamed "ABN AMRO Bank N.V.". This bank will operate under a separate banking licence, a request for which has been submitted to the the Dutch Central Bank. ABN AMRO expects to have obtained the banking licence before the execution of the legal demerger.

The smooth separation of these businesses from ABN AMRO Group remains a priority for the Managing Board, targeted for completion by the end of 2009 in line with our announced plans. ABN AMRO Group and its shareholders intend to ensure that by legal separation both separate banks are adequately capitalized and have sound liquidity positions. The Bank continues to pursue the sale of part of the Dutch commercial clients' activities and selected regional branch offices to comply with the requirements of the European Commission. The sale will be subject to approval by the shareholder, the European Commission and the Dutch Central Bank. A request for an extension of the sale period by the Dutch State to the European Commission, has been granted until the beginning of September.
Following the separation of the Dutch State acquired businesses, the existing ABN AMRO Bank N.V. will be renamed "The Royal Bank of Scotland N.V." (RBS N.V.). The future RBS N.V. will be an integral part of the RBS Group and will principally contain the international lending, international transaction services and equities businesses of the RBS Group. These remaining activities will continue to be subject to Dutch Central Bank supervision and on a consolidated basis as part of the RBS Group subject to UK Financial Services Authority supervision. Due to the change in the operating model of RBS N.V. compared to pre-acquisition ABN AMRO Bank N.V. a licence renewal application procedure is required. This licence renewal application has been lodged with the Dutch Central Bank. ABN AMRO expects to have obtained the renewed banking licence before the execution of the legal demerger.

The Central Items business segment includes items (referred to as Shared Assets) that are not allocated to, but economically shared by the Consortium Members, and accumulated amounts payable to Santander arising from the disposal of Latin America and other sales and settlements. The economic interest in the Shared Assets will remain shared until all Consortium Members have agreed on disposal, allocation or made other arrangements.

Governance until legal separation
Until final legal separation, expected to occur before the end of the year, ABN AMRO Group will continue to be governed by its Managing Board and Supervisory Board and regulated on a consolidated basis with capital ratios, liquidity measures and exposures being reported to and regulated by the Dutch Central Bank.

The Managing Board and the Supervisory Board of ABN AMRO Group have approved the intention to repatriate via RFS Holdings B.V. capital for the benefit of Santander in the amount of EUR 6.5 billion, subject to regulatory approval. Any future capital repatriations to individual Consortium Members are part of an overall capital plan authorised within the governance of ABN AMRO Group and agreed between Consortium Members. Additionally, these are subject to regulatory approval.

ABN AMRO Group's financial results included in this press release do not include all the information and disclosures required in the annual financial statements. This press release should be read in conjunction with the Group's Interim Financial Report for the six months ended 30 June 2009 and also the audited financial statements as part of the Annual Report as at 31 December 2008 which was prepared in accordance with 'International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board and IFRS as adopted by the European Union. In preparing financial information in this press release, the same accounting policies and methods of computation are followed as were applied in the preparation of the Group's financial statements for the year ended 31 December 2008, except, where applicable, for the impact for the adoption of the Standards and interpretations as described in the Group's Interim Financial Report for the six months ended 30 June 2009. All amounts in this press release are unaudited. Small differences are possible in the tables due to rounding. Certain statements in this press release are statements of future expectations and other forward-looking statements. Such statements are based on current expectations, and by their nature are subject to a number of risks and uncertainties that could cause actual results and performance to differ materially from any expected future results or performance, expressed or implied, by these statements. Factors that could cause actual results to differ materially from those estimated by the forward looking statements contained in this document include, but are not limited to i) the extent and nature of future developments and continued volatility in the credit markets and their impact on the financial industry in general and ABN AMRO in particular, ii) the effect on ABN AMRO's capital of write downs in respect of credit exposures, iii) risks related to ABN AMRO's transition and separation process following its acquisition by the consortium consisting of The Royal Bank of Scotland Group plc ('RBS'), the State of the Netherlands ('Dutch State') and Banco Santander S.A. ('Santander'), iv) general economic conditions in the Netherlands and in other countries in which ABN AMRO has significant business activities or investments, e.g. the United Kingdom and the United States, including the impact of recessionary economic conditions on ABN AMRO's revenues, liquidity and balance sheet, v) the actions taken by governments and their agencies to support individual banks and the banking

system, vi) the monetary and interest rate policies of the European Central Bank, the Board of Governors of the Federal Reserve System and other G-7 central banks, vii) inflation or deflation, viii) unanticipated turbulence in interest rates, foreign currency exchange rates, capital markets, commodity prices and equity prices, ix) changes in Dutch and foreign laws, regulations and taxes, x) changes in competition and pricing environments, xi) natural and other disasters, xii) the inability to hedge certain risks economically, xiii) the adequacy of loss reserves, xiv) technological changes, xv) changes in consumer spending and saving habits and xvi) the success of ABN AMRO in managing the risks relating to the foregoing.
The forward-looking statements made in this press release speak only as at the date of publication of this press release. 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, nor does ABN AMRO assume any responsibility to do so.

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Full press release